

1997 ANNUAL REPORT

CALL A FRIEND WATCH A VIDEO PAGE YOUR PARTNER
READ A MAGAZINE DISCOVER WHAT'S NEW HEAR YOUR
FAVOURITES DOWNLOAD SOME DATA LISTEN TO THE
LATEST IMPROVE YOUR COMMUNICATION SCAN THE
FACTS SEND A MESSAGE ADVERTISE YOUR PRODUCT
KNOW YOUR INDUSTRY SURVEY THE SCENE BUY THE BEST
ENJOY THE ENTERTAINMENT SURF THE NET CELEBRATE
YOUR COMMUNITY CHANGE THE CHANNEL BUILD NEW
BRIDGES SWITCH THE STATION GET THE INFORMATION
CREATE YOUR FUTURE

→

→

→



THE WORLD OF ROGERS

COMMUNICATION
ENTERTAINMENT
INFORMATION

You're not
going to
miss all this
are you?



communication

There are few areas of life where Rogers Communications does not benefit Canadians. And there are few aspects of communication that we cannot compete in – from Digital PCS wireless telephone service and cable television service to the publication of Canada's best-known magazines. Rogers Communications is where the future of communication meets the real world. Since the company's pioneering days in radio, we've used communication technology to deliver useful products and services to our customers.

THE OPPORTUNITY To make communication simple.

The medium invisible. The message clear.

THE OUTLOOK Rogers Communications has some of Canada's largest and most technologically advanced cable television systems; the largest wireless communications network, with unparalleled Digital PCS coverage; a content rich media company; and strong partners. With this unique combination of assets, Rogers Communications can respond to the ever changing needs of its customers.

You don't have to look far to see what we mean. →

YOUR WORLD

WIRELESS DATA SERVICE

HIGH-SPEED
INTERNET ACCESS SERVICE

BUSINESS TELECOMMUNICATIONS



MACLEAN'S MAGAZINE

DIGITAL PCS SERVICE

HIGH-SPEED DATA TRANSMISSION

CELLULAR SERVICE



PAGING SERVICE

entertainment

Rogers isn't just about communication, it's also about entertainment. In 1997, Rogers Cablesystems successfully launched a new tier of up to 16 new cable channels, expanded and opened new video stores, and even helped people shop at home. Rogers' media company continued to broadcast some of the most popular radio programming, published some of the most admired periodicals in the country and delivered some of the most interesting and practical sites on the Web.

THE OPPORTUNITY To use new communication technology to generate new forms of entertainment.

THE OUTLOOK Rogers Communications has entertained Canadians for years. In radio. In television. With magazines. New communication technology mixes the media. It stirs the pot. Print content to television. Video to the Web. Movies to your home. It's your choice and Rogers Communications delivers it. Now and in the future.

Here's how Rogers Communications will keep you entertained. →

YOUR HOME

HIGH-SPEED
INTERNET ACCESS SERVICE

20 RADIO STATIONS



QUICKEN FINANCIAL NETWORK CANADA

65+ CHANNELS
PAY-PER-VIEW
PAY TELEVISION
HOME SHOPPING

ROGERS VIDEO

TODAY'S PARENT AND
CHATELAIN MAGAZINES



AMIGO DIGITAL

FLARE MAGAZINE

PAGING SERVICE

information

Our world is re-created daily through the high-speed exchange of real-time information and the immediate access to up-to-date data. For business and individual consumers, information is a constant need that Rogers Communications plays a key role in delivering.

THE OPPORTUNITY To fulfill consumers' and businesses' seemingly insatiable appetite for more. More channels. More memory. More storage capacity. More speed. More information in more places, every day. More is expected.

THE OUTLOOK

The fibre-rich and technologically advanced networks of Rogers Cablesystems and Rogers Cantel form a superb platform upon which to build an information delivery business. A business that provides more. High-speed Internet access, digital cable, and wireless data communications are all part of the future for our customers. Similarly, Rogers Media has resources which provide unique assets that support innovative new services such as Yahoo! Canada[™], CNET[™] and Quicken Financial Network[®] Canada.

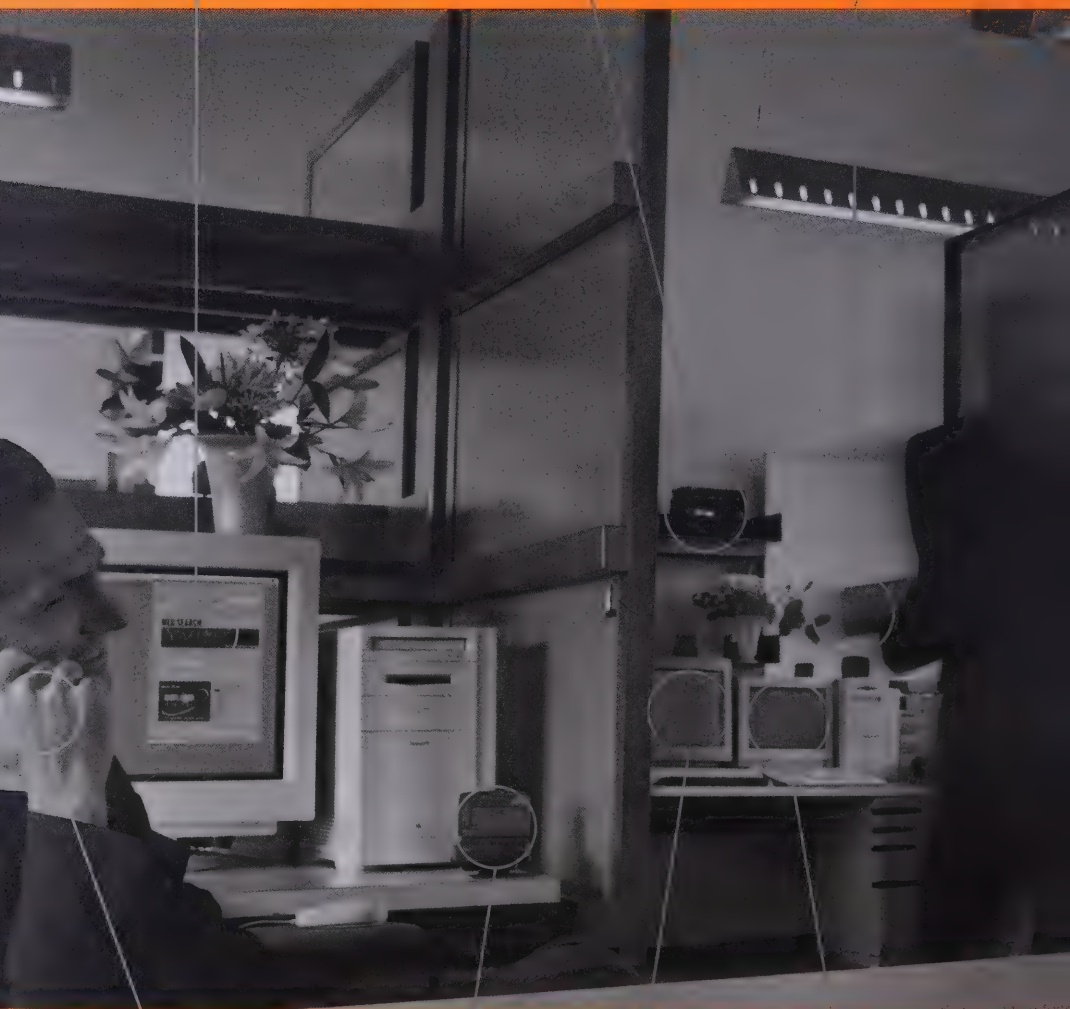
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YOUR OFFICE

CANADIAN INVESTMENT
REVIEW MAGAZINE

YAHOO! CANADA

ALL NEWS RADIO



TWO-WAY PAGING SERVICE

DIGITAL PCS

HIGH-SPEED
INTERNET ACCESS
SERVICE

MEDIA MONITORING

WHO'S WHO OF CANADIAN BUSINESS

WIRELESS DATA SERVICE



MARKETING MAGAZINE

BUSINESS TELECOMMUNICATIONS

ADVANCED HIGH-SPEED
DATA NETWORK

R O G E R S

R O G E R S

11111111

PROFILES

WIRELESS

DIGITAL PCS (*Personal Communication Services*)

PAGING

DATA

ROGERS CANTEL MOBILE COMMUNICATIONS INC. ("WIRELESS") is Canada's largest national wireless communications service provider offering subscribers a broad spectrum of wireless communications products and services. It is currently the only company in Canada licensed to provide all of cellular, Digital PCS, paging and wireless data services nationwide. With over 1.5 million cellular and Digital PCS subscribers and 253,600 paging subscribers, Wireless' seamless cellular network covers 93% of the Canadian population with analog coverage and over 80% of the population with digital coverage.

CABLESYSTEMS

CABLE TELEVISION

VIDEO STORES

HIGH-SPEED INTERNET ACCESS

HOME SECURITY

ROGERS CABLESYSTEMS LIMITED ("CABLESYSTEMS") is Canada's largest cable television service provider with over 2.2 million customers in Toronto, Ottawa, Vancouver, and Southwestern Ontario. Cablesystems offers high-speed Internet access via cable modem over its fibre-rich network, which is ideally suited for two-way transmission of data requiring significant bandwidth. Cablesystems also owns and operates 195 video stores and a home security business primarily in markets where it provides cable service.

TELECOM

BROADCAST SIGNAL TRANSPORT

SONET NETWORK CONNECTIONS

ATM NETWORK ROUTING

INTERNET TRAFFIC ROUTING

ROGERS TELECOM INC. ("TELECOM") is one of Canada's leading providers of telecommunications services offering local high-speed data transmission, private line voice, image, broadcast video and audio communications. Telecom owns and operates fibre-optic networks which provide service ranging from 19.2 Kbps up to 155 Mbps on a self-healing backbone primarily in Toronto, Ottawa and Vancouver. Rogers Telecom Inc. became a wholly-owned subsidiary of Rogers Communications Inc. on December 31, 1997.

MEDIA

RADIO AND TELEVISION
BROADCASTING

CONSUMER AND BUSINESS
MAGAZINE PUBLISHING

HOME SHOPPING

NEW MEDIA

ROGERS MEDIA INC. ("MEDIA") comprises 20 radio stations, a televised home shopping channel, a multi-cultural television station in Toronto, ownership interest in three cable programming services, nine consumer magazines, 40 business periodicals and a new media division.



THE WORLD OF ROGERS

NOT ALL OF OUR CUSTOMERS APPRECIATE THE VARIED RANGE OF INNOVATIVE PRODUCTS AND SERVICES WE PROVIDE. THE PURPOSE OF THIS ENDORSEMENT MARK IS TO HELP LINK OUR COMPANIES TOGETHER SO IT IS EASIER TO UNDERSTAND THE DEPTH OF ROGERS COMMUNICATIONS' RESOURCES. WHEN CUSTOMERS SEE THIS SYMBOL, THEY KNOW THE BRAND THEY ARE PUTTING THEIR CONFIDENCE IN IS ROGERS – WHETHER THEY'RE RENTING A VIDEO, MAKING A DECISION ABOUT WHICH WIRELESS PROVIDER TO CHOOSE, OR BUYING THEIR FAVOURITE MAGAZINE.

KEY STATISTICS

BRANDS

(\$ IN MILLIONS OF DOLLARS)	1997	1996
Revenue	\$ 1,241	\$ 1,103
Operating income ⁽¹⁾	\$ 396	\$ 351
Operating income margin ⁽¹⁾	31.9%	31.8%
Capital expenditures	\$ 605	\$ 554
Cellular subscribers	1,552,100	1,369,600
Paging subscribers	253,600	242,800
Cell sites	1,462	1,133
Digital coverage to population	81%	73%



amigo

amigo

(\$ IN MILLIONS OF DOLLARS)	1997	1996
Revenue	\$ 945	\$ 953
Operating income ⁽¹⁾	\$ 361	\$ 323
Operating income margin ⁽¹⁾	38.2%	33.9%
Capital expenditures	\$ 296	\$ 307
Basic cable subscribers	2,243,700	2,229,600
Tier penetration	88.8%	88.1%
Internet access subscribers	11,200	1,100
Video stores	195	173

(\$ IN MILLIONS OF DOLLARS)	1997	1996
Revenue	\$ 56	\$ 39
Operating income ⁽²⁾	\$ 25	\$ 14
Operating income margin ⁽²⁾	43.6%	36.2%
Capital expenditures	\$ 72	\$ 71
Network buildings	1,080	708
Fibre route kilometers	3,519	2,430
Fibre kilometers	140,900	96,500
Network availability	99.995%	99.997%

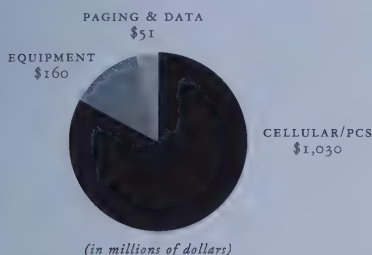
(\$ IN MILLIONS OF DOLLARS)	1997	1996
Revenue	\$ 453	\$ 388
Operating income ⁽²⁾	\$ 54	\$ 35
Operating income margin ⁽²⁾	11.9%	9.0%
Capital expenditures	\$ 9	\$ 13
Publishing advertising pages	19,400	15,100
Home shopping – items shipped	1,550,800	1,152,600

⁽¹⁾ Before depreciation and amortization, and corporate management fees to Rogers

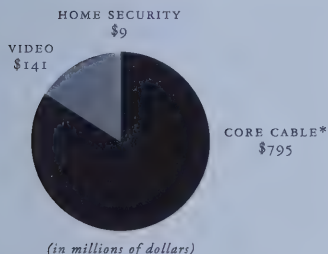
⁽²⁾ Before depreciation and amortization, and corporate management fees to Rogers

1997 SOURCES OF REVENUE

1997 HIGHLIGHTS

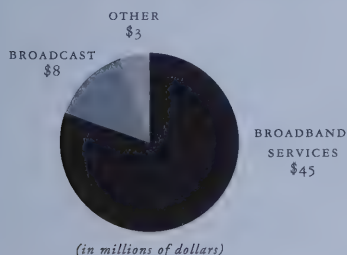


- Wireless was first to market in Canada and the U.S. At year end, over 140,000 subscribers were active.
- Wireless signed a multi-year agreement with Canadian telecommunications to provide long distance service to Canadian customers.
- The digital shift completed was providing for over 80% of the Canadian population.
- Customer service activities resulted in strong customer renewals and a churn to 1.63% in 1997 for the wireless business.

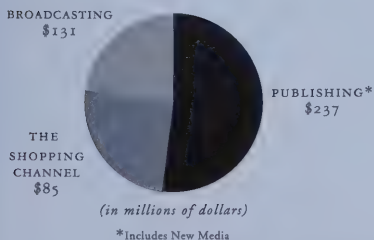


*Includes U.S. Cable and Inter-Company Eliminations

- Cost reductions and a successful price increase resulted in the cable operating margin improving by 10% in 1997.
- Cable systems launched a new line of programming with 16 new channels in most markets.
- Rogers @Home was created with the @Home Network to provide high speed Internet services over @Home's network and Cablevision's local broadband network.
- Aggressive plan, rebuild resulted in 1.5 million cable homes passed being two-way ready with a minimum of 50 MHz capacity.
- Rogers video opened 22 new stores.



- Rogers Telecom was established as a separate wholly-owned subsidiary of Rogers Communications Inc. on December 1, 1997, to exploit opportunities in the Canadian telecommunications industry.
- Telecom continued its growth, with revenue increasing by 44.2%. Operating income margins continued to be strong at 41.6%.
- Telecom added 300,000 lines, 10,000 new buildings and added 44,400 fibre kilometres in the year.
- Network availability was maintained at 99.995%, higher than telco standards, and mean time to repair was reduced to under 10 minutes.



*Includes New Media

- Operating improvements and favourable market conditions resulted in revenue increases of 16.8% and operating income increases of 54.2% over 1996.
- Publishing completed the acquisition of seven professional titles in the health care sector, including *Family Practice*™ and *Patient Care*™.
- The Shopping Channel had a strong year with an increase of 34.5% in items shipped.
- New Media division successfully launched CNET Briefs Canada and Quicken Financial Network Canada.

In 1997, we focused on improving our financial performance in increasingly competitive markets. Our results were mixed: significant improvements in many areas, offset by less successful results in our wireless communications business. These results led to the poor stock market performance during the year.

Rogers Media enjoyed a very successful year, dramatically increasing both its revenue and operating income over 1996 levels. These results attest to the strong leadership of the media company and the valuable place it has within the Rogers group of companies, now and in the future.



At Rogers Cablesystems our objective was to enhance key operating measures. For instance, one of our goals was to improve operating income margins to industry-standard levels. In fact, we exceeded this goal by achieving operating income margins at a higher level than expected and sustaining that level throughout the year.

In the fall of 1997, Rogers Cablesystems offered its customers an unprecedented number of new channels, more than any other cable system operator in Canada. This offer was possible only because of the investment we have made in Rogers Cablesystems over the years. Despite the two new satellite competitors, we added over 14,000 new subscribers and increased the penetration of our top tiers from 59% to 68% in 1997.

Our investment in Rogers Cablesystems forms the basis for other new developments such as high-speed Internet access and digital cable service. For example, we are now rolling out our high-speed Internet service in a number of markets. It will be available to more than 80% of our subscribers during 1998. Enhancing this product will be At Home Corporation's high-speed broadband Internet service, also scheduled to be launched early in the year. We are disappointed that digital cable service is not yet a reality; however, given the recent involvement of companies such as Microsoft, AT&T, Intel and Sun Microsystems, we expect the final offering will provide much higher functionality for a significantly lower cost and will be well worth waiting for.

For several years we have also made a significant investment in our local telecommunications business. As part of our initiative to realize the value of our investment, we moved this business from Rogers Cablesystems into a new, wholly-owned subsidiary, Rogers Telecom Inc., effective December 31, 1997. Creating this separate business unit will enable us to deliver new services to our customers and appropriate returns to our shareholders.

While most of our companies met or exceeded their 1997 goals, our wireless communications business, Rogers Cantel, did not. This year marked the arrival of several new competitors, creating one of the most competitive wireless communications markets worldwide. While we have successfully dealt with market fluctuations in the past, we did not cope well with the speed and extent of the changes we faced in 1997.

The 1998 year will require, among other things, changes to our underlying cost structure at Rogers Cantel. We are firmly committed to making swift and significant changes to provide sufficient return on capital and a dramatically improved share price. I believe we can and will accomplish this. We will pursue this goal under the leadership of Rogers Cantel's new president, Charles Hoffman. He brings proven abilities from his successful experiences in the highly competitive U.S. wireless communications industry.

As this annual report demonstrates, Rogers Communications has built the foundation for a unique Canadian communications company, a company all Canadians will recognize as a leader in communication, entertainment and information. We have the key management we need to push toward this goal, a strategy to communicate it, and a solid organization in place to implement it. With the ongoing strength of most of our operations, combined with positive changes in Rogers Cantel and value realization at Rogers Telecom, I believe 1998 will be a year of growth and measurable progress for this company.

EDWARD S. ROGERS, O.C.
President & Chief Executive Officer

FINANCIAL HIGHLIGHTS

ROGERS COMMUNICATIONS INC.

YEARS ENDED DECEMBER 31
(IN MILLIONS OF DOLLARS)

1997

1996

INCOME STATEMENT

Revenue	\$ 2,695.3	\$ 2,483.0
Operating income before provision for restructuring and asset writedowns and depreciation and amortization	814.1	704.3
Loss for the year	(539.5)	(278.4)
Loss for the year before non-recurring items	(110.3)	(143.7)

(IN DOLLARS)

PER SHARE DATA

Loss for the year	\$ (3.17)	\$ (1.72)
Loss for the year before non-recurring items	(0.77)	(0.96)
Cash flow from operations ⁽¹⁾	2.00	1.45

(IN MILLIONS OF DOLLARS)

CHANGES IN FINANCIAL POSITION

Cash flow from operations ⁽¹⁾	\$ 356.1	\$ 258.7
Capital expenditures	979.9	945.1

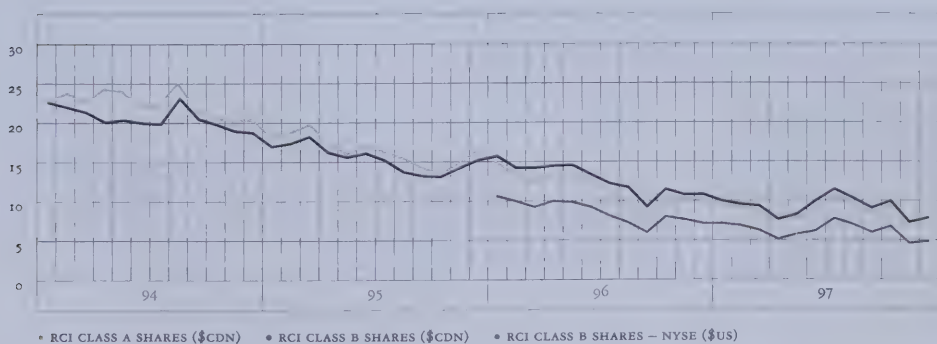
AS AT DECEMBER 31
(IN MILLIONS OF DOLLARS)

BALANCE SHEET

Total assets	\$ 6,147.0	\$ 6,014.3
Fixed assets (net)	3,299.0	2,870.2
Long-term debt	5,583.4	4,922.7
Shareholders' equity (deficiency)	(517.4)	45.4

⁽¹⁾ Cash flow from operations before changes in working capital amounts.

MONTHLY SHARE PRICES



For the purposes of this discussion, the operations of Rogers Communications Inc. ("Rogers" or "the Company") and the financial figures relating to those operations have been reported in four segments: 'Wireless,' which refers to Rogers' 81%-owned subsidiary Rogers Cantel Mobile Communications Inc.; 'Cablesystems,' which refers to Rogers' wholly-owned subsidiary Rogers Cablesystems Limited; 'Telecom,' which refers to Rogers' wholly-owned subsidiary Rogers Telecom Inc.; and 'Media,' which refers to Rogers' wholly-owned subsidiary Rogers Media Inc. Telecom, formerly known as Rogers Network Services ("RNS"), was formed as a separate wholly-owned subsidiary of Rogers on December 31, 1997, to carry on the local telecommunications business as a separate business organization capable of issuing stand-alone debt as well as equity. RNS was formerly a division of Cablesystems. The financial results of the Company in both 1996 and 1997 reflect this change. This discussion should be read in conjunction with the detailed Consolidated Financial Statements provided on pages 62 to 93 of this report.

The following discussion contains forward-looking statements regarding the future performance of the Company. All forward-looking information is inherently uncertain and actual results may differ materially from the assumptions, estimates or expectations reflected or contained in the forward-looking information. Please refer to "Cautionary Statement Regarding Forward-looking Information" on page 55 of this report for a further discussion.

SUMMARY

While 1997 operating performance of Cablesystems, Media and Telecom generally met or exceeded the expectations of management, the performance of Wireless, in terms of both financial performance and key operating metrics, was a disappointment, particularly in the second half of the year. This underperformance led to a dramatic decline in the share prices of both the Rogers Communications Inc. Voting and Non-Voting shares and the Restricted Voting Shares of Rogers Cantel Mobile Communications Inc. Measures were implemented at the beginning of 1998, including the appointment of a new President and Chief Executive Officer for Wireless and the implementation of a plan to restructure operations, to increase Wireless' competitiveness, improve efficiency, and reduce operating costs. The Company believes that these changes will assist Wireless in its increasingly competitive areas of business.



ROGERS CABLESYSTEMS, TOGETHER WITH OUR INDUSTRY PARTNERS, HAS PROVEN THAT WE HAVE WHAT IT TAKES TO BE AN EFFECTIVE COMPETITOR. THE NEW TIER OF UP TO 16 NEW CABLE CHANNELS DRIVES HOME THE FACT THAT WE OFFER OUR CUSTOMERS MORE ENTERTAINMENT VALUE THAN ANY OF OUR COMPETITORS. THE NFL "SUNDAY TICKET" PACKAGE SIMPLY REINFORCES THAT MESSAGE.

PHILIP B. LIND
Vice Chairman.
Rogers Communications Inc.

Below are the summary financial results for the years ended 1997 and 1996.

1997

1996

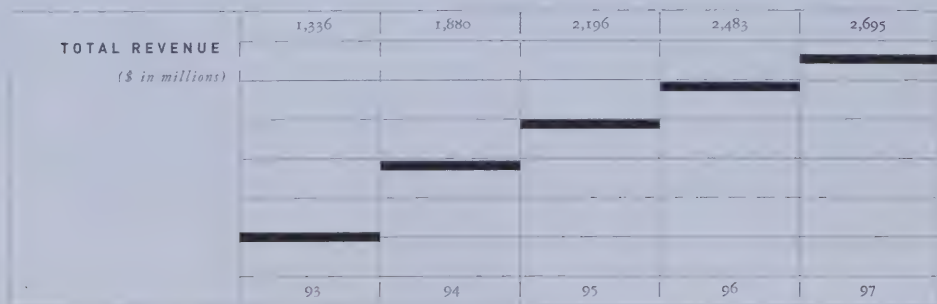
% CHANGE

Revenue			
Wireless	\$ 1,241.3	\$ 1,102.9	12.6 %
Cablesystems	944.8	953.3	(0.9) %
Telecom	56.3	39.0	44.2 %
Media	452.9	387.8	16.8 %
Total	\$ 2,695.3	\$ 2,483.0	8.6 %
Operating profit ⁽¹⁾			
Wireless	\$ 395.7	\$ 351.1	12.7 %
Cablesystems	361.0	322.7	11.9 %
Telecom	24.5	14.1	73.9 %
Media	54.1	35.1	54.2 %
Corporate	(21.2)	(18.7)	13.1 %
Total	\$ 814.1	\$ 704.3	15.6 %
Operating profit ⁽¹⁾ as a % of revenue			
Wireless	31.9 %	31.8 %	
Cablesystems	38.2 %	33.9 %	
Telecom	43.6 %	36.2 %	
Media	11.9 %	9.0 %	
Total	30.2 %	28.4 %	
Capital Expenditures	\$ 979.9	\$ 945.1	3.7 %

A. 1997 OVERVIEW — CONSOLIDATED RESULTS

Consolidated revenue was \$2,695.3 million in 1997, an increase of \$212.3 million or 8.6% from \$2,483.0 million in 1996. Consolidated operating income before provision for restructuring and asset writedowns, and depreciation and amortization ("operating profit") was \$814.1 million, an increase of \$109.8 million or 15.6% from \$704.3 million in 1996 as all segments reported growth.

Consolidated operating profit as a percentage of revenue ("operating profit margin") increased to 30.2% in 1997 from 28.4% in 1996. The operating profit margin increase was due to strong gains at each of Cable-systems, Telecom, and Media, while Wireless' operating profit margin remained approximately flat with the prior year's level.



FIXED CHARGES

Depreciation and amortization in 1997 increased to \$512.6 million, up 12.7% from \$454.9 million in the prior year. This increase is primarily attributable to the continued high capital expenditure levels and the resulting higher fixed asset levels.

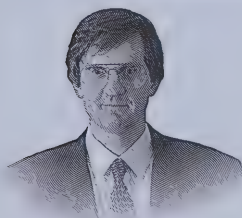
Interest expense increased to \$482.5 million, up 2.5% from \$470.8 million in the prior year, as higher average debt balances were partially offset by lower average interest rates on the floating portion of Rogers' debt. The weighted average rate of interest on long-term debt (total interest expense as a percent of weighted average debt outstanding) was approximately 9.3% in 1997 as compared to 9.6% in 1996.

LOSS

Excluding non-recurring items, Rogers recorded a loss of \$110.3 million, or \$0.77 per share (after preferred dividends) in 1997. In 1996, excluding non-recurring items, Rogers recorded a loss of \$143.7 million, or \$0.96 per share (after preferred dividends). Including all non-recurring items in both periods, Rogers recorded a loss of \$539.5 million, or \$3.17 per share (after preferred dividends) in 1997, compared to \$278.4 million, or \$1.72 per share (after preferred dividends) in 1996. In 1997, the weighted average Class A and Class B shares outstanding increased to 178.2 million, from 178.1 million in 1996.

STAFFING

As at December 31, 1997, Rogers had approximately 10,300 employees across all its operating groups representing a decrease of approximately 200 persons from the levels reported at December 31, 1996. Wireless increased the number of employees in customer service and credit and collections, and reduced the number in sales and corporate stores. Wireless ended the year with approximately 3,200 employees, approximately the same number reported at December 31, 1996. Cablesystems reduced its employee count in its Cable Television division primarily as a result of major cost reduction and process improvement initiatives which began in late 1996. The number of employees in Cablesystems' Video Store division increased because of a corresponding increase in the number of stores. Cablesystems also increased staffing in its Home Security and high-speed Internet access divisions to meet the demands of increased growth. The decreases in the Cable Television division outweighed the increases in other areas by approximately 200 employees, resulting in a total of approximately 4,100 employees at December 31, 1997. Telecom ended the year with approximately 200 employees, a slight increase over December 31, 1996, levels, despite the 44.2% increase in revenue experienced in its business. Media increased staffing levels at The Shopping Channel ("tScTM"), and also in the publishing division, primarily as a result of the acquisition of Thomson Healthcare. Overall, Media ended the year with approximately 2,300 employees, up by 122 over levels at December 31, 1996. The corporate office



A MAJOR OBJECTIVE OF 1997 WAS TO IMPROVE THE OPERATING PERFORMANCE OF OUR MAIN BUSINESSES. AT CABLESYSTEMS AND MEDIA WE MADE EXCELLENT PROGRESS BUT WE FELL SHORT AT WIRELESS. OPERATING AND CAPITAL EFFICIENCY WILL BE KEY DETERMINANTS IN OUR ABILITY TO TAKE ADVANTAGE OF OUR SIGNIFICANT OPPORTUNITIES FOR GROWTH AND, AS SUCH, WILL CONTINUE TO BE A MAJOR FOCUS IN 1998, ESPECIALLY AT WIRELESS.

ALAN D. HORN, C.A.
*Vice President, Finance and Chief Financial Officer
 Rogers Communications Inc.*

and Rogers Shared Facilities, which reduced employment levels by approximately 60 persons in 1997, ended the year with approximately 500 employees between the two divisions. Total remuneration paid to employees (both full and part-time), before capitalization, in fiscal 1997 was \$448 million, up from \$435 million in the prior year.

RISKS AND UNCERTAINTIES — CONSOLIDATED — YEAR 2000 READINESS

Rogers is heavily reliant upon its own proprietary and vendor-supplied technology and recognizes the potential business risk to its assets and systems associated with the arrival of the year 2000.

Rogers has instituted a six-step programme to address all known risks associated with year 2000 readiness in recognition of the potential material impact on its ability to conduct business. This programme reports to Ronan McGrath, President, Rogers Shared Services and Chief Information Officer. These six steps are inventory, assessment, triage, remediation, testing, and implementation. Rogers has allocated internal and external resources as required by the programme plan.

As of December 31, 1997, Rogers had substantially completed its inventory, assessment, and triage steps and had commenced remediation of critical systems. Testing of some critical system components is underway, while the majority of testing is scheduled to begin in June, 1998.

Rogers is implementing a process to identify potential year 2000 readiness issues associated with its vendors' products, services, systems, and operations, and is scheduled to complete this process for vendors of its critical systems in June, 1998. For vendors of non-critical assets and systems, Rogers is scheduled to complete this process by the end of 1998.

Rogers' year 2000 readiness methodology includes the development of contingency plans to be used if the implementation of a solution for critical systems is delayed. The contingency planning process is under development and is targeted to be complete by the second quarter of 1998.

Rogers' expenditures for its year 2000 readiness programme, up to December 31, 1997, have totalled approximately \$6 million. Rogers expects to spend approximately \$45 million over the next two years. The majority of these expenditures will be made in 1998, and will be capitalized to the extent that they enhance the capabilities and useful life of the underlying systems. Rogers is currently on budget and on schedule to substantially complete year 2000 readiness by year-end 1998. Notwithstanding that the Company's current activities are on target, the nature of this programme is such that unforeseen difficulties may arise that need to be addressed. The Company's Audit Committee receives a quarterly update from the Chief Information Officer on the progress of Rogers' year 2000 readiness.



MUCH OF MY FIRST YEAR WAS SPENT IN RECRUITING EXPERIENCED SENIOR OFFICERS, BUILDING AND IMPLEMENTING A COORDINATED I.T. PLAN, AND ESTABLISHING NEW AND COST-EFFECTIVE PURCHASING AND REAL ESTATE ORGANIZATIONS. THE OBJECTIVE OF THIS PROCESS IS TO TIGHTEN DEPLOYMENT OF FINANCIAL RESOURCES AND TO HEIGHTEN RESPONSIVENESS. THESE ARE AREAS I HAVE ADDRESSED PREVIOUSLY IN MY CAREER, AND THE PLAN FOR ROGERS IS ON TRACK.

RONAN D. MCGRATH

*President, Rogers Shared Services and Chief Information Officer
Rogers Communications Inc.*

B. SEGMENTED OPERATIONS REVIEW

B.1 WIRELESS

1997 OVERVIEW — WIRELESS

For purposes of this discussion, financial figures have been segmented into “Cellular Services” and “Other.” The results of Cellular Services include revenue and operating expenses associated with the cellular business, which includes analog and Digital PCS Services. Cellular Services revenue includes airtime usage, monthly basic service fees, long-distance charges, optional service charges, system access fees, and roaming charges. “Other” operating income before depreciation and amortization includes Paging Services, Wireless Data Services, and Equipment Sales. Equipment Sales includes the sale of hardware, both to Wireless’ independent dealers and agents and to customers via direct channels.

WIRELESS

YEARS ENDED DECEMBER 31
(IN MILLIONS OF DOLLARS)

	1997	1996	% CHANGE
Revenue			
Cellular Services	\$ 1,030.2	\$ 935.9	10.1 %
Equipment Sales	160.5	113.7	41.2 %
Paging and Data Services	50.6	53.6	(5.6)%
Interdivisional eliminations	—	(0.3)	—
Total	<u>\$ 1,241.3</u>	<u>\$ 1,102.9</u>	<u>12.6 %</u>
Operating profit ⁽¹⁾			
Cellular Services	\$ 388.4	\$ 347.9	11.6 %
Other	7.3	3.2	128.1 %
Total	<u>\$ 395.7</u>	<u>\$ 351.1</u>	<u>12.7 %</u>
Operating profit ⁽¹⁾ as a % of revenue			
Cellular Services	37.7%	37.2%	
Other	3.5%	1.9%	
Total	31.9%	31.8%	
Capital Expenditures	\$ 604.7	\$ 553.8	9.2 %

⁽¹⁾ Operating income before provision for restructuring and asset writedowns, depreciation and amortization, and corporate management fees to Rogers.

COST REDUCTION STRATEGY

Wireless has recognized that it must reduce costs in order to offset the trend of declining operating profit margins. In 1997, operating profit margins remained essentially flat with 1996 levels, however, with the rapid decline in prices for wireless services, cost reductions must come at a much faster rate if overall operating profit margin is to increase.

To achieve the objective of increased operating profit margins, management has initiated a programme of business redesign and simplification. Management will be assisted in this initiative by external consultants who specialize in these areas. This initiative started in 1997 with an initial assessment that identified a number of opportunities for significant operating cost reductions that can be achieved in 1998.

DISTRIBUTION

Wireless recognizes the importance of distribution in achieving subscriber growth and customer retention. The following changes were made to Wireless' distribution:

- In late 1996, Wireless closed or transferred ownership of substantially all company-owned corporate stores to the independent dealer distribution channel;
- The national account sales channel was restructured with direct selling responsibilities being transferred to the dealer channel, and a reduced number of Wireless national account employees being maintained to provide sales support;
- The rollout of the mall retail store programme was completed with 81 stand-alone mall retail stores in place. The majority of these locations are operated by RadioShack Canada Inc. ("RadioShack"), with the remainder operated by independent dealers; and
- The direct fulfilment channel was expanded and produced a larger percentage of total sales than the prior year.

These changes resulted in a major shift of sales and distribution responsibilities to the independent dealers over a relatively short period of time. This transition was a difficult one. In addition, a group of dealers launched a lawsuit against Wireless in early 1997 related to certain business issues arising from their relationship with Wireless. This lawsuit was settled at a very early stage in the proceedings in late 1997. Wireless has begun a number of initiatives to improve the relationship with dealers and to increase sales productivity, particularly by assisting the dealers in hiring direct sales people to service small and medium-size businesses. In 1998, Wireless will continue to strengthen its distribution channels and to make greater effort to align its distribution with customer segment requirements.

	199	290	316	351	396
WIRELESS OPERATING PROFIT*					
(\$ in millions)					
*Operating income before provision for restructuring and asset writedowns, depreciation and amortization, and corporate management fees to Rogers.					
	95	94	95	96	97

REVENUE AND USAGE

Cellular Services revenue in 1997 totalled \$1,030.2 million, up \$94.3 million or 10.1% from the prior year's total of \$935.9 million. This increase was due to the growth in cellular subscribers year-over-year, offset by a continued decline in monthly average revenue per user ("ARPU"). The subscriber growth resulted in an aggregate increase in monthly fees, local airtime, and long-distance revenue of \$69.8 million. The balance of the increase in Cellular Services revenue came from increases in roaming revenue, optional service revenue, activation fees, and system access fees.

Although Cellular Services revenue increased during the year, the trend towards lower monthly ARPU continued. Monthly ARPU in 1997 was \$59, down 10.6% from \$66 in 1996. This was the result of continued growth in the lower revenue consumer segment as well as the impact of lower pricing in the business and corporate segments driven by increased competition. Average monthly airtime usage per subscriber increased to 213 minutes in 1997 from 208 minutes in 1996. In 1997, Wireless discontinued offering plans with unlimited evening and weekend packages to new customers.

In 1998, Wireless will take a number of steps to reduce the decline in monthly ARPU. Sales efforts will be aimed at acquiring higher revenue business subscribers. Wireless will also offer additional services and options to our existing customers.

CUSTOMER SATISFACTION AND RETENTION

With a customer base that now exceeds 1.8 million cellular, Digital PCS paging and data subscribers, management has recognized the need to balance the traditional industry focus on acquiring new customers with a greater emphasis on and attention to retaining existing customers by ensuring their satisfaction and their loyalty. In 1997, Wireless rebalanced resources between acquisition and retention by introducing programmes structured to improve customer satisfaction. These programmes included:

- i) ongoing customer satisfaction surveys;
- ii) linking internal compensation with customer satisfaction; and
- iii) marketing information systems that support our efforts to customize and promote new and existing services to existing customers to better meet their needs.

A continued area of focus for Wireless in 1997 was to manage the percentage of its subscriber base that churns. Churn improved modestly in 1997, averaging 1.63% per month in 1997 compared to 1.69% per month in 1996. In the fourth quarter of 1997, voluntary churn increased compared to previous quarters in 1997, primarily in the consumer segment, as a large number of two-year contracts entered into during the high volume 1995 fourth quarter expired.



HAVING WORKED IN THE NORTH AMERICAN WIRELESS COMMUNICATIONS INDUSTRY FOR 14 YEARS, FOR BOTH AN INCUMBENT SERVICE PROVIDER AND FOR A NEW PCS ENTRANT, I BELIEVE THAT ROGERS CANTEL HAS SOME OF THE STRONGEST FUNDAMENTAL BUSINESS STRENGTHS I HAVE SEEN. I ALSO BELIEVE ROGERS CANTEL'S NATIONAL DIGITAL NETWORK, POWERFUL DISTRIBUTION, AND CAPABLE CUSTOMER SERVICE ORGANIZATION WILL PROVE TO BE CRITICAL COMPONENTS OF ITS SUCCESS IN THE COMING YEARS.

CHARLES E. HOFFMAN
President and Chief Executive Officer
Rogers Cantel Inc.

In 1997, Wireless continued to use term contracts as an effective method for managing churn. To recognize consumer hesitation in entering into extended contracts, Wireless passed on more value to the customer in exchange for a longer term contract commitment. All customers due for contract renewal are contacted through direct mail. Outbound telemarketing campaigns are also initiated to renew existing traditional business customers and to win back subscribers who had recently deactivated. At year-end, Wireless had over 80% of its customers on term contracts with an average of just over 21 months to expiration. Wireless began to feature no-term plans more prominently in late 1997.

SUBSCRIBER ACQUISITION

Wireless added 182,500 new cellular and Digital PCS subscribers in 1997, net of disconnects, ending the year with 1,552,100 subscribers, a 13.3% increase from 1,369,600 at December 31, 1996. Despite the low pricing levels in Canada, market growth in Canada has been slow relative to other countries. Growth in the Canadian wireless communications industry has not yet begun to accelerate in response to new competition and lower prices. Wireless estimates that 1997 Canadian industry growth was just over 20%, significantly lower than the 31% growth experienced in 1996. Wireless' subscriber acquisition results were well below expectations as new subscribers (net of disconnects) were 43% fewer in 1997 than the prior year as a result of a 16.9% decline in gross additions and a 17.7% increase in deactivations.

The year-over-year decline in gross activations can be largely attributed to two factors:

- i) Sales in the national account and corporate segments were lower than the prior year as a result of the transfer of sales, distribution, and service responsibilities for major and national account customers from Wireless' own direct sales force to the independent dealer distribution network. This transfer of responsibilities represented a major transition and as such, sales and marketing momentum was lost.
- ii) Sales in the consumer segment were lower than planned, particularly in the fourth quarter, due to the arrival of new competitors who offered low-cost packages, in some cases with no contract required.

Wireless responded with similar low-cost packages and with a no-contract option.

Wireless estimates that its cellular and Digital PCS penetration of the population served in Canada reached 5.6% at December 31, 1997, as compared to 5.0% at the end of the prior year.

DIGITAL PCS

Wireless launched Digital PCS across Canada in May 1997, following the Montreal launch in November of 1996. Benefits of Digital PCS include longer battery life and greater call security than analog cellular, as well as per second billing. New enhanced features such as Caller ID, Text and Numeric Messaging, Visual Call Waiting, and E-Mail Messaging were also introduced.

Choosing the digital standard IS-136 Time Division Multiple Access ("TDMA") enabled Wireless to be the first to market and supply dual mode phones (analog and digital). Wireless' Digital PCS dual mode phones provide coverage for over 80% of Canada's population in "digital mode" and 93% of Canada's population in "analog mode." This coverage also extends throughout the United States to include coverage of over 90% of the U.S. population through the AT&T strategic alliance and other roaming partners.

In September 1997, Wireless expanded its Digital PCS offer with the launch of Digital AMIGO™. This broad-based campaign was aimed at bringing the benefits of Digital PCS to consumers in simple, easy to understand price plans. Customers could choose between a no-contract plan or a bundled offer which included a Digital PCS phone at no extra cost, but also required a three-year term commitment.

The focus of Digital PCS was not limited to new subscribers. Wireless also embarked on an upgrade programme designed to migrate the early adopters within its customer base from analog to Digital PCS. At year-end, 120,000 customers had migrated from an analog to a Digital PCS plan. In total, Wireless finished 1997 with more than 240,000 Digital PCS subscribers.

PAGING SERVICES

Paging Services revenue decreased to \$49.9 million in 1997, down \$3.1 million or 5.9%, from \$53.0 million in 1996. Subscriber growth of 4.4% brought the total number of paging subscribers to 253,600 at December 31, 1997, an increase from 242,800 at December 31, 1996. The decline in revenue growth is attributed to modest subscriber growth being more than offset by declining paging service prices. Monthly paging ARPU declined to \$15, down \$3 or 15.5% in 1997, from \$18 in 1996. During 1997, Wireless' paging division focused on reducing operating costs in order to maintain operating profit margins as monthly ARPU declined in the competitive market. Average monthly paging cost per subscriber was \$9, down \$2 or 13.6%, from \$11 in 1996. Average monthly paging churn increased to 3.2% per month in 1997 from 3.0% per month in 1996. Operating profit from Paging Services declined by 6.4% in 1997 from 1996 levels.

OTHER REVENUE

Revenue from equipment sales reached \$160.5 million, up \$46.8 million or 41.2% from \$113.7 million in the prior year. Equipment sales are generally provided to Wireless' independent dealers and agents at cost. The increase is due primarily to the growth of higher priced digital versus analog phones sold. In 1997, digital phones accounted for 45% of hardware sales, an increase from 4% in 1996. On average the cost of a digital phone in 1997 was approximately 85% higher than an analog phone.

OPERATING COSTS

Total cellular operating expenses (including cost of sales) of \$641.8 million increased by \$53.8 million or 9.1% over the prior year's expenses of \$588.0 million. This increase was driven largely by year-over-year increases in sales and marketing costs, customer service costs, and network related costs. Sales and marketing



THE COMPETITION THAT ROGERS CANTEL NOW FACES IN VOICE COMMUNICATIONS IS QUITE SIMILAR TO WHAT THE PAGING DIVISION HAS FACED FOR SEVERAL YEARS. INCREASED COMPETITION HAS LED TO PRICE REDUCTIONS IN PAGING. IN SPITE OF THIS, WE HAVE MAINTAINED OUR OPERATING PROFIT MARGINS AND CONTRIBUTION. 1998 SHOULD PROVE TO BE EQUALLY CHALLENGING AND REWARDING, WITH OPPORTUNITY IN WIRELESS DATA SERVICES WHICH NOW APPEARS TO HAVE INCREASED COMMERCIAL VIABILITY.

EDWARD ROGERS
*Vice President and General Manager, Paging
 Rogers Cantel Inc.*

costs per gross addition were \$676 in 1997, 28.3% higher than the 1996 level of \$527. On a cash basis, (after giving effect to the new accounting treatment of expensing the costs of subscriber telephones as incurred), the sales and marketing costs per gross subscriber addition would have been \$752, an increase of \$103 or 15.9% from \$649 in the prior year. The increase in sales and marketing expenses per gross subscriber addition was primarily due to a 16.9% decline in gross activations, increased advertising costs to support the launch of Digital PCS, and the launch of the "Cantel AT&T" co-brand.

In 1998, Wireless will manage sales and marketing costs per gross addition by reducing fixed overhead or non-sales producing activities in the sales and marketing departments. A portion of these savings will be channeled to sales-producing activities such as advertising, commissions and phone subsidies.

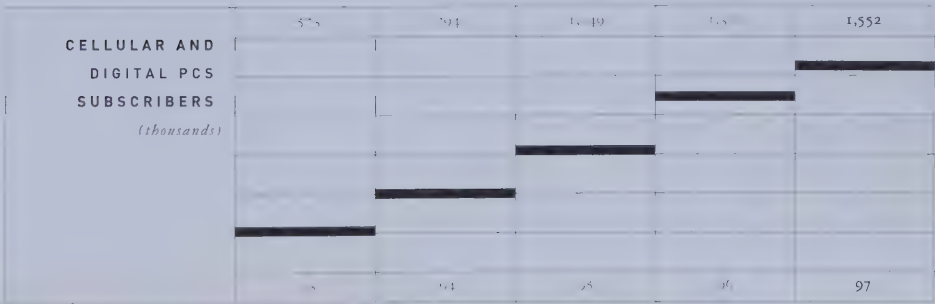
Cellular operating expenses before sales and marketing costs were \$326.6 million, an increase of \$34.3 million or 11.7% from \$292.3 million in 1996. These increased costs are attributed to a larger average customer base in 1997 over 1996, additional customer service expenses focused on improving customer service levels, higher than planned bad debt expense, and increased technical service costs related to the Digital PCS rollout. Cellular operating expenses per average subscriber, excluding sales and marketing costs, decreased \$2 or 9.0% to \$19 per month in 1997, compared to \$21 in 1996.

In 1998, Wireless will focus more aggressively on reducing costs in all areas of operations to ensure Wireless is a lower cost provider. A full cost review is currently underway with the objective of significantly reducing Wireless' cost structure. Wireless believes that while market prices remain low and growth levels remain uncertain being a low-cost provider is essential.

OPERATING PROFIT

Operating profit from Cellular Services ("cellular operating profit") was \$388.4 million in 1997, an increase of \$40.5 million or 11.6% from \$347.9 million in the prior year. Cellular operating profit, as a percentage of revenue ("cellular operating profit margin"), was 37.7% compared to 37.2% in the prior year. Cellular operating profit restated to reflect the new accounting treatment of subscriber telephones would have been \$353.3 million in 1997, an increase of \$72.9 million or 26.0% from \$280.4 million in the prior year.

Operating profit from Other operations was \$7.3 million in 1997, an increase of \$4.1 million or 128.1% from \$3.2 million in 1996. The increase is attributable to a significant decline in losses from equipment sales that were partially offset by a 6.4% reduction in operating profit from Paging Services.



CAPITAL EXPENDITURES — WIRELESS

Capital expenditures totalled \$604.7 million in 1997, up \$50.9 million or 9.2% from \$553.8 million in 1996. Of this total, 83% was for increased network capacity, new coverage, and increased signal strength in existing coverage areas. The remaining 17% was for general capital expenditures including information technology projects, new call centres, and the Company's office location in Toronto for Wireless.

The 1997 increase in capital expenditures is primarily the result of network development, as Wireless increased coverage and capacity of both digital and analog services. Approximately 70% of the network capital spending in 1997 was for network capacity expansion which included an increase of approximately 200 cell sites needed to provide infrastructure for urban capacity. This new site construction represents 58% of total network capacity spending. New site acquisition and construction is the most costly and time-consuming activity in the addition of capacity to the network. With these additional sites, Wireless will have constructed the infrastructure to allow for rapid and lower cost increases in capacity, for the most part by only adding additional channels. The new sites have the secondary benefit of improving both digital and analog call quality. Wireless will have the necessary buffer capacity to accommodate greater than planned subscriber growth and/or higher network usage that may arise in this competitive marketplace.

By year-end 1997, Wireless increased its digital coverage to over 80% of the Canadian population from approximately 73% at the end of 1996. Management believes that extensive digital coverage will become increasingly important, particularly to business users who require enhanced digital features to be available over a broad geographic area.

Wireless expects capital spending in 1998 to be reduced from the 1997 level of \$604.7 million. As a result of the aggressive build in 1997, lower than planned gross and net subscriber additions, and significant migration of customers from analog to digital service in 1997, Wireless' capital spending level is currently budgeted to be approximately \$300 million in 1998.

Approximately 67% of this spending will be directed to network-related projects. Of this amount, 40% is for network capacity expansion, a key component of which is the construction of the 1.9 GHz infrastructure which will yield a substantial increase in capacity, primarily in Toronto. The remaining 60% of the network component is for quality improvement, coverage expansion, and other network-related expenditures.

The remaining 33% non-network capital spending will be used primarily for numerous information technology initiatives including support for Digital PCS selling strategies, customer retention programmes, the continued development of a marketing information system, and the Year 2000 project.

OPERATING RISKS AND UNCERTAINTIES — WIRELESS

In December 1995, Industry Canada awarded PCS licences to Wireless, the Mobility Canada companies, and two companies that did not provide cellular service, Clearnet PCS Inc. ("Clearnet") and Microcell Connexions Inc. ("Microcell"). Microcell launched its initial PCS offering in Montreal in 1996 and in Quebec City, Ottawa-Hull, Toronto, Oshawa, Hamilton, and Vancouver in 1997. On October 1, 1997, Clearnet launched its PCS service in Vancouver, Montreal, and Toronto and (through a roaming agreement with Wireless) analog service available nationally. Bell Mobility launched its PCS service in Toronto, Ottawa, Montreal, and Quebec City on October 7, 1997. BCTel Mobility also offers a PCS service. Certain other Mobility Canada companies have indicated that they intend to launch their PCS offerings at 1.9 GHz later in 1998. Aggressive pricing by both new PCS competitors and large price reductions by Wireless and Mobility Canada have reduced Canadian pricing to among the lowest in the world. Wireless cannot predict whether further price reductions will continue in 1998. Wireless anticipates some re-pricing of its existing base as new lower pricing is offered to customers when their term contracts come to an end.

Wireless cannot anticipate what impact the new PCS services and lower prices will have on overall market growth. Wireless will compete vigorously for all customer segments and in all markets based on the strengths of its analog and digital networks, strong brands, and broad distribution.

In May 1996, the Canadian Radio-television and Telecommunications Commission ("CRTC") initiated a public notice seeking comments on the issues of equal access, co-location, and unbundling. Under equal access, Wireless may be required to offer its subscribers access to competitive long-distance networks on an "equal access" or "one plus" dialing basis (where all calls are automatically routed to an alternative long-distance network without having to dial an access number). Under present conditions, the customer must dial an access number to use another long-distance service provider. Wireless monitors its long-distance revenue regularly, and to date, has experienced only minor erosion of its long-distance business to other carriers. A portion of Wireless' long-distance revenue, which totalled \$79.5 million in 1997, could be at risk if the CRTC rules in favour of equal access. The CRTC is also considering whether wireless companies should be required to unbundle the wireless access from the wireline network. This would permit the lease of portions of the wireless network to other service providers. The same parties that have requested unbundling are also requesting co-location of their equipment on Wireless sites. A CRTC decision on these issues is uncertain at this time. The CRTC has initiated a proceeding to deal with local number portability in the wireline network. Certain wireless carriers have proposed that local number portability also be extended to the wireless industry as soon as possible. However, in October 1996, the CRTC ruled that participation by wireless carriers would not be mandated during an interim period that runs until approximately 1999. The CRTC will likely re-examine the issue in relation to the wireless industry after the interim period. In the U.S. the Federal Communications Commission has ruled that wireless carriers should provide number portability by approximately 2000. Canadian cellular companies have indicated that they intend to provide number portability when it is technically feasible and approved by the CRTC. Therefore, Wireless may provide number portability before 2000. The introduction of mandatory wireless local number portability could increase Wireless' subscriber churn, which would adversely impact revenue.

Wireless may elect to become a Competitive Local Exchange Carrier ("CLEC") nationally or on an exchange by exchange basis. While entering this business could have a positive revenue impact, certain requirements would have to be met which could create additional costs. The financial impact includes the capital outlay required to provide equal access and local number portability, and the risk of long-distance revenue loss and increased subscriber churn.

In June 1997, the CRTC initiated a proceeding to review bundling and joint marketing restrictions that are currently in place. Under present rules, Stentor member companies and independent telephone companies are restricted from either joint marketing or bundling wireless and wireline services. Given the telephone companies' monopoly position in wireline services, lifting restrictions on joint marketing and bundling could impact competition in the wireless sector.

Since 1996, with the addition of new U.S. entrants such as Paging Network, Inc. and Pagemart Wireless Inc., Wireless' paging division has experienced increased competition and price decreases. Wireless' paging division believes it is well positioned to benefit from the market expansion that increased competition will bring due to its extensive national network and broad distribution. However, there will continue to be downward pressure on prices and margins.

B.2 CABLESYSTEMS

1997 OVERVIEW — CABLESYSTEMS

For purposes of this discussion, the financial results of Cablesystems have been divided into two categories: Cable Television and Video Stores. Cable Television includes the results of Basic Cable service, Cable Plus service, pay television, converter rental, pay-per-view, and Home Security. The Hotel Pay Television service results are included in the 1996 results as well as the 1997 results until June 19, 1997, when this division was sold to Gala Vu Entertainment Inc. The 1996 figures also include the results of the businesses acquired in 1996 from Shaw Communications Inc. ("Shaw") and independent video retailers, but exclude the results of operations sold, including those systems sold to Cogeco Cable Inc. ("Cogeco") on November 25, 1996, in all cases from the date of the purchase or sale.

CABLESYSTEMS

YEARS ENDED DECEMBER 31
(IN MILLIONS OF DOLLARS)

	1997	1996	% CHANGE
Revenue			
Cable Television	\$ 808.4	\$ 839.5	(3.7)%
Video Stores	140.6	116.4	20.8 %
Interdivisional eliminations ⁽¹⁾	(4.2)	(2.6)	—
Total	\$ 944.8	\$ 953.3	(0.9)%
Operating profit⁽²⁾			
Cable Television	\$ 344.8	\$ 308.8	11.7 %
Video Stores	16.2	13.9	16.2 %
Total	\$ 361.0	\$ 322.7	11.9 %
Operating profit⁽²⁾ as % of revenue			
Cable Television	42.9%	36.8%	16.6 %
Video Stores	11.5 %	11.9 %	(3.4)%
Total	38.2 %	33.9 %	12.7 %
Capital Expenditures⁽³⁾	\$ 295.8	\$ 307.1	(3.7)%

⁽¹⁾Intercompany eliminations represent bill payment processing fees and other transactions included in Video Stores revenue and Cable Television operating expense in both years.

⁽²⁾Operating income before restructuring and asset writedowns, depreciation and amortization, and corporate management fees to Rogers. Video Stores operating profit is after video cassette depreciation.

⁽³⁾Excluding video cassette purchases.



SINCE JOINING THE ROGERS SENIOR MANAGEMENT TEAM IN JUNE, 1997, MUCH OF MY TIME HAS BEEN SPENT ENSURING CONTINUOUS MARGIN IMPROVEMENT IN 1997 AND THE SUCCESSFUL LAUNCH OF THE NEW TIER. MY PRINCIPAL OBJECTIVE FOR 1998 IS TO READY THE ORGANIZATION FOR THE EFFECTS OF COMPETITION AS WELL TO MAXIMIZE OUR RETURN FROM EXISTING ASSETS.

JOS J. WINTERMANS
President and Chief Executive Officer
Rogers Cablesystems Limited

All other revenue line items increased in 1997 over 1996. Basic cable revenue showed firm growth (after eliminating the effect of systems dispositions in the 1996 results) due to an increase in the number of Basic Cable subscribers and a rate increase on Basic Cable service which became effective on March 1, 1997, that added approximately \$0.73 to the Basic Cable monthly subscription rate. Cable Television ended the year with 2,243,700 Basic Cable customers, an increase of approximately 14,100 from December 31, 1996. This increase in Basic Cable subscribers occurred primarily in the fourth quarter, despite significant sales and marketing efforts by two direct broadcast satellite ("DBS") services competitors.

In 1997, Cable Television was successful in increasing the penetration rate of its Cable Plus tier packages of additional cable channels. At December 31, 1997, approximately 67.5% of Cable Plus customers subscribed to either the Combo (which includes both Cable Plus Original and Select) or Ultimate tier (which adds the MeTV channel package to the Combo), as compared to 58.8% who subscribed to the Combo tier at December 31, 1996, after eliminating the effect of net dispositions in the 1996 results. This increase in Cable Plus Combo tier penetration, together with a rate increase effective March 1, 1997, which added approximately \$0.85 to the Cable Plus Combo tier, increased the average monthly Cable Plus tier revenue per Cable Plus subscriber to \$7.59 in 1997, up \$0.61 from \$6.98 in 1996.

Converter rental revenue increased over the prior year due primarily to a policy change which led Cable Television to charge \$3.95 for each pay television signal descrambler used. Prior to this policy change, Cable Television provided a pay television signal descrambler as part of the monthly subscription fee for this service.

The net effect of the above on Cable Television revenue was an increase in the average monthly revenue per subscriber of 5.1% in 1997 to \$29.73 in 1997, as compared to \$28.28 per subscriber in 1996. These figures exclude revenue from Hotel Pay Television and Home Security services.

OPERATING COSTS

During 1997, total Cablesystems operating costs (including cost of sales) declined by \$47.3 million or 7.5% over 1996. Video Stores showed an increase in operating costs; however, this was largely due to the increases in the number of stores. Cable Television's operating costs declined \$68.7 million, or 13.0% over 1996. Since slightly more than half of Cable Television's decline in operating costs was due to the net disposition of cable systems serving approximately 220,000 customers during 1996, and cost of sales was essentially flat over 1996 (after eliminating the effect of net dispositions in the 1996 amount), the remaining decrease was due to improvements in operating efficiency. The most significant decline in operating expense was due to the effect of the major cost reduction and process improvement initiatives that Cable Television began in late 1996.

MONTHLY CABLE REVENUE PER SUBSCRIBER (dollars)	\$25.17	\$26.85	\$27.78	\$28.28	\$29.73
	93	94	95	96	97

This ongoing process favourably impacted virtually all areas of Cable Television and will be continued throughout 1998. Beyond 1998, Cable Television will continue to focus on cost improvement and operating efficiency.

The net effect of this increase in operating efficiency at Cable Television was reflected in a decline in the average monthly operating costs per subscriber (excluding cost of sales) to \$8.95 in 1997, compared to \$9.79 in 1996, excluding the effect of net disposition of cable systems in the 1996 amount.

OPERATING PROFIT

Total operating profit, including Video Stores, increased to \$361.0 million in 1997, up \$38.3 million or 11.9% from \$322.7 million in the prior year. Cable Television operating profit was \$344.8 million in 1997, an increase of \$36.0 million or 11.7% from \$308.8 million in 1996. Eliminating the effect of the net dispositions, Cable Television would have reported operating profit growth of \$60.6 million, or 21.3%. The above mentioned positive revenue effects combined with greater operating efficiency led to an increase in operating profit margin at Cable Television to 42.9% in 1997, a strong increase from 36.8% in 1996. The core cable TV operating profit margin, a key operating measure of the most critical component of Cable Television's business (which eliminates the Hotel Pay Television and Home Security businesses from the calculation) was 43.2% in 1997, a significant increase from 37.2% in 1996. In the 1996 Rogers annual report, the Company clearly stated its objective of raising core cable TV operating profit margins to industry average levels of approximately 42.6% over a one to two year time frame. Cable Television was pleased with its ability to exceed this expectation in the first quarter of 1997.

The strong performance of Cablesystems' core cable TV businesses in 1997 will be the basis upon which management will continue to improve its operations in an effort to extract better than average financial performance from what it sees as better than average assets.

VIDEO STORES

In 1997, Video Stores continued its strategy of both building and buying new stores in an effort to strengthen its presence, primarily in Cable Television's licensed service areas. During the year, Video Stores opened 24 stores, acquired one, and closed three to end the year with a total of 195 stores, as compared to 173 at December 31, 1996.

Video Stores' revenue in 1997 was \$140.6 million, an increase of \$24.2 million or 20.8%, from \$116.4 million in the prior year. Total revenue from the same stores (those open for the full year in both years) increased by 2.1% in 1997. Rental revenue from the same stores increased by 1.2% in 1997. Although this



ROGERS VIDEO HAD ANOTHER VERY SUCCESSFUL YEAR IN 1997, WITH OPERATING PROFIT INCREASING BY 16.2% TO \$16.2 MILLION. WE WERE PARTICULARLY PLEASED WITH THE SAME STORE SALES PERFORMANCE WHICH INCREASED MORE THAN 2%, WHILE THE INDUSTRY SHOWED A DECLINE OF 4% TO 5%. BASED ON THE SUCCESS OF OUR NEW PROTOTYPE STORES AND THE STRENGTH OF THE MOVIES BEING RELEASED TO VIDEO, I EXPECT 1998 WILL BE ANOTHER EXCEPTIONAL YEAR FOR ROGERS VIDEO.

CHUCK W. VAN DER LEE
President and Chief Operating Officer, Rogers Video
Rogers Cablesystems Limited

increase in same store rental revenue was below management's expectations, it is significantly better than the 4% to 5% decline reported by much of the Canadian video industry. Video Stores' operating profit margin slipped marginally to 11.5% in 1997, from 11.9% in 1996.

As a result of the increase in revenue and stable operating profit margins, Video Stores' operating profit was \$16.2 million in 1997, an increase of \$2.3 million or 16.2% from \$13.9 million in 1996.

ROGERS@HOME

During 1997, Cablesystems continued to roll out its high-speed Internet access service to those customers passed by two-way cable plant capable of supporting the service. Cablesystems ended the year with approximately 11,900 sales, 11,200 of which had been installed and 700 awaiting installation. At December 31, 1997, Cablesystems was able to market its high-speed Internet access product to approximately 1.1 million homes, up from approximately 200,000 at December 31, 1996. On April 7, 1997, Rogers Cablesystems and At Home Corporation announced plans to deliver high-speed Internet services over At Home Corporation's distributed network architecture and Cablesystems' broadband local infrastructure. The effect of this agreement will be a significantly better service, including even higher Internet access speeds, and special content designed specifically for this service, offering richer colour and sound than conventional services delivered via telephone lines. Cablesystems intends to begin marketing this service to new and existing customers beginning in the first half of 1998. In connection with this announcement, Cablesystems made an investment in At Home Corporation of approximately \$21.0 million. Cablesystems expects this division to have negative operating income before depreciation and amortization in 1998 due to the early stages of its rollout.

CAPITAL EXPENDITURES — CABLESYSTEMS

Capital expenditures at Cablesystems in 1997 were \$295.8 million, approximately 66.8% was for network capital projects such as rebuild and new area build, 18.1% was for general network projects including information technology, and approximately 9.4% was for its high-speed Internet access service. The remaining amounts were primarily for Video Stores and Home Security.

For several years the largest component of Cablesystems capital expenditures has been for the rebuild of its cable systems to improve the quality and reliability of the network by extending fibre-optic cable close to the customer as well as to extend two-way signal transmission capability for products such as Rogers@Home



OVER THE YEARS, ROGERS HAS INVESTED SUBSTANTIAL AMOUNTS IN ITS NETWORKS. RECENTLY THESE INVESTMENTS HAVE ALLOWED US TO PROVIDE SEVERAL SIGNIFICANT NEW SERVICES, SUCH AS THE NEW TIER OF 16 NEW CABLE CHANNELS AND HIGH-SPEED INTERNET ACCESS OVER THE CABLE NETWORK, AS WELL AS UNMATCHED NATIONAL DIGITAL PCS COVERAGE. IN 1998, WE WILL CONTINUE TO DEVELOP WAYS OF HARNESSING THE ENORMOUS CAPABILITIES OF OUR NETWORKS WITH A VIEW TO INCREASING THE RETURN ON OUR INVESTMENT.

ROGER D. KEAY
Vice President, Technology and Strategic Planning
Rogers Communications Inc.

and other services. At December 31, 1997, approximately 1.5 million, or 60% of Cablesystems' 2.8 million cable television homes were passed by cable plant with two-way capability, as compared to only 215,000, or 8.0% at the end of the prior year. Management expects to increase its cable homes that are passed by two-way plant to over 2.1 million homes by December 31, 1998. Capital expenditures of approximately \$105 million will be required to attain this level, at which point the rebuild will be substantially complete. Total capital expenditures are budgeted to be approximately \$300 million in 1998, excluding video cassette purchases. Approximately half of this amount is expected to relate to network capital projects, including the rebuild, and 30% for general network projects such as digital network equipment, subscriber equipment, and information technology projects such as a new billing system. Cablesystems expects capital expenditures will be somewhat higher in 1999 than in 1998, primarily due to the capital expenditure requirements associated with the roll-out of digital set top boxes. At that time, however, the rebuild will be largely complete.

Cablesystems believes that the investments it has made over the past several years to increase signal quality and reliability and increase channel capacity have allowed it to offer a cable television service that offers good value to its customers. Management believes that this will continue to be true in 1998 and, as a result, Cablesystems does not intend a broad roll-out of digital cable services in 1998. Cablesystems will build a digital head-end and network sector for testing so that when the Company decides to roll out digital cable service it will be a thoroughly tested product.

RISKS AND UNCERTAINTIES — CABLESYSTEMS

Recent regulatory and public policy trends favour the emergence of a more competitive environment for cable television service providers in Canada. Consequently, Cable Television faces competition or potential competition from a variety of alternative distribution services, including DBS, Satellite Master Antennae Television Systems ("SMATV") and Multi-Channel, Multi-Point Distribution Systems ("MMDS"), Local Multi-Point Communications Systems ("LMCS"), as well as telephone companies ("the Telcos"). On May 1, 1997, the CRTC issued a public notice that allowed Telcos to apply for cable licences starting on June 16, 1997, making them potentially eligible to receive those licences by January 1, 1998.

Through the use of digital technology, certain of these services may be able to offer a broader array of video programming, including expanded pay-per-view services, than that historically offered by Cable Television. In addition, DBS and other digital service offerings are able to deliver a signal of comparable quality to that of a cable system employing extensive use of fibre-optic technology. Cable Television believes it can compete effectively with either terrestrial or satellite based service providers, provided the terms and conditions of competition are consistent for all participants, which appears to be the intent of Canadian government policy makers and the CRTC.

On December 22, 1997, the CRTC published new broadcasting distribution undertaking regulations to replace the existing Cable Television regulations which apply to all distributors of broadcasting services in Canada, including cable television service providers, MMDS, LMCS, DBS, and SMATV services. These new regulations came into effect on January 1, 1998. These rules continue to guide content, ownership structures, and the alteration or deletion of programming services, but also introduce new measures to control undue preference of one service provider, and to govern the transfer of ownership of inside wire, building access, and other issues. The objective of the new regulations is to provide a clear set of terms and conditions for the entry of competitive broadcasting distributors. It is likely that applications for broadcasting licences within Cable Television's licensed areas will be submitted and licences granted at some time in the future and the Company will be faced with further competition. The new broadcast regulations limit Cable Television and its competitors' ability to obtain exclusive contracts in buildings where it is technically feasible to install two or more systems. In buildings

where end-user choice is not possible Cable Television cannot sign exclusive contracts longer than five years in length while its competitors can sign unlimited exclusive contracts.

Cable Television believes that by increasing channel capacity in its systems to allow for a compelling package of cable television programming at reasonable cost and eventually implementing Digital Video Compression ("DVC") technology, it will be able to offer competitive programming services. Cablesystems does not expect that its DVC product will be widely available in 1998, but it also believes that its current programming packages are highly competitive with those available from its DBS competitors at this time. During 1998 Cablesystems expects the two existing DBS competitors will likely be able to increase their channel capacity. The Company currently expects to have its DVC product broadly available in 1999 and that this service will give Cable Television the ability to offer a comparable number of pay-per-view channels and potentially other service such as high-speed two-way capability, which the DBS competitors will likely find difficult to offer.

In 1997 and for the next several years, Cable Television intends to deploy capital to support a series of new business opportunities which are yet unproven. These businesses include Rogers@Home and Digital Cable. However, substantial components of the capital required to support these businesses are demand driven. As a result, if these products are not as successful as Cable Television believes they will be, Cable Television will not deploy the variable component of the capital.

Cablesystems requires access to support structures (poles and conduits) and municipal rights of way in order to deploy its facilities. Cablesystems enters into contracts with municipalities and support structure owners in order to secure access. Where access cannot be secured, Cablesystems, as a broadcast distribution undertaking, has right of access under the *Telecommunications Act*. Cablesystems and other Ontario cable operators were not able to reach an agreement with most Ontario municipal hydroelectric companies for pole access following the termination of their previous agreement in December 1996. Cablesystems has filed an application with the CRTC to gain access to the support structures. Currently, some municipal hydroelectric companies are denying access for new permits to Cablesystems. In addition, the municipal hydroelectric companies have indicated that they will be challenging the validity of the relevant section of the *Telecommunications Act* before the courts. If successful, this court challenge would remove the ability of the CRTC to regulate access to hydroelectric poles which could lead to higher rates for pole access.

B.3 TELECOM

The following table and discussion compare 1997 results with 1996 results for Telecom, which includes the local telecommunications or CAP business formerly part of Cablesystems.

TELECOM

YEARS ENDED DECEMBER 31
(IN MILLIONS OF DOLLARS)

	1997	1996	% CHANGE
Revenue	\$ 56.3	\$ 39.0	44.2 %
Operating profit ⁽¹⁾	\$ 24.5	\$ 14.1	73.9 %
Operating profit ⁽¹⁾ as % of revenue	43.6%	36.2 %	20.4 %
Capital Expenditures	\$ 72.1	\$ 71.4	1.0%

⁽¹⁾ Operating income before depreciation and amortization and corporate management fees to Rogers.

1997 OVERVIEW — TELECOM

Telecom has been providing high-speed data transmission service, private line (unswitched) voice service, and broadcast video transmission service to Canadian businesses since 1989. Telecom's primary service regions are the Greater Toronto Area, Southwestern Ontario, Ottawa, and Vancouver. Through partnerships with CAP businesses owned by certain other Canadian cable companies, Telecom also provides such services to other major Canadian cities such as Calgary, Montreal, Quebec City, Victoria, Edmonton, Regina, Halifax, Fredericton, and Winnipeg.

Telecom provides services to a broad range of clients, including all of the major alternative long-distance service providers, Internet access providers, governments, banks, broadcasters, insurance companies, and other companies, including the two new national PCS providers.

Telecom reported revenue of \$56.3 million in 1997, an increase of \$17.3 million or 44.2% from \$39.0 million reported in 1996. Revenue growth is largely due to sales success in the banking industry, governments, and large commercial accounts. Telecom's operating income before depreciation and amortization was \$24.5 million, an increase of \$10.4 million or 73.9% from \$14.1 million in the prior year. The growth in operating income is due to both revenue growth and increases in operating efficiency. Telecom's operating income margin increased to 43.6% in 1997, up significantly from 36.2% in 1996.

Customers service levels also increased in 1997, where 92% of customer requests for service installation were fulfilled on time, up from 89% in 1996. Network performance continued to exceed telco standards, with 99.995% circuit availability for the year.

On January 29, 1998, Telecom filed a letter with the CRTC to register as a CLEC. The purpose of the letter was to inform the CRTC that it is Telecom's intention to offer switched telephone service. Telecom believes it is well positioned to offer voice telephone service, primarily due to its extensive network in key urban centres.

CAPITAL EXPENDITURES — TELECOM

Capital expenditures in 1997 were \$72.1 million, up marginally from \$71.4 million in 1996. Approximately one-third of this amount was used to build points of presence, network management hubs, and backbone fibre. Much of the remaining amount was for customer-specific equipment to support large corporate

accounts including two major Canadian banks and two of the new Canadian PCS service providers. Virtually all of the 1997 capital expenditures are network related. At December 31, 1997, Telecom's network served 1,080 buildings using over 140,000 kilometres of fibre over a 3,500 kilometre route.

Telecom expects that for its existing CAP business alone, capital spending in 1998 will be similar to the 1997 level of \$72.1 million and substantially all for network expansion and customer-specific equipment. Capital expenditure levels in 1998 will be significantly higher if the Company moves forward with its CLEC plans.

RISKS AND UNCERTAINTIES – TELECOM

During 1997, Telecom saw lower pricing from the Telcos, its principal competitors, as well as the entry of MetroNet Corporation ("MetroNet"). MetroNet is engaged in essentially the same businesses as Telecom in its home market of Calgary, Alberta. MetroNet has accessed the public financial markets and became a public company and its business plan will put it in direct competition with both Telecom's existing CAP business, and its as yet undeveloped CLEC business. The potential of increased competition could impact Telecom's growth rates.

On May 1, 1997, the CRTC issued a decision designed to promote facilities-based local telephone competition. The decision dealt with interconnection and unbundling and set up a framework to deal with local number portability and interconnection implementation issues. A separate decision issued on June 16, 1997, dealt with co-location. Interconnection refers to the technical and financial terms for connecting Telco and new entrant networks. Unbundling allows new entrants to acquire Telco facilities à la carte at tariffed rates. Number portability is required for local telephone competition so that customers can maintain their existing telephone numbers when they change service providers. Co-location allows competitors to locate their facilities at the telephone company's central office. At December 31, 1997, many of the remaining issues not covered in the decisions themselves had been resolved. Due to the significant level of capital expenditures required to enter the CLEC business, the uncertain timetable for number portability, and the many elements of its business plan that have yet to be fully developed, Telecom is in the very early stages of its development and subject to business risk.

Telecom requires access to support structures (poles and conduits) and to municipal rights of way in order to deploy its facilities. As a Canadian carrier within the meaning of the *Telecommunications Act*, Telecom can utilize the CRTC to gain access to rights of way and support structures. When it was the RNS division of Cablesystems, Telecom did not require its own rights of way and support structure agreements. It may be necessary to obtain agreements in some municipalities and from some support structure owners now that Telecom is a separate company. This will likely lead to increased expense. It could also lead to increased operational difficulties if permits are withheld while negotiations take place. In addition, as noted in the discussion of Cablesystems' Risks and Uncertainties, there is currently a dispute between Cablesystems and many of the municipal hydroelectric companies in Ontario. This same dispute also affects Telecom.

B.4 MEDIA

The following table and discussion compare 1997 results with 1996 results for Media, which includes Magazine Publishing, Broadcasting (including tSc) and New Media divisions.

MEDIA

YEARS ENDED DECEMBER 31
(IN MILLIONS OF DOLLARS)

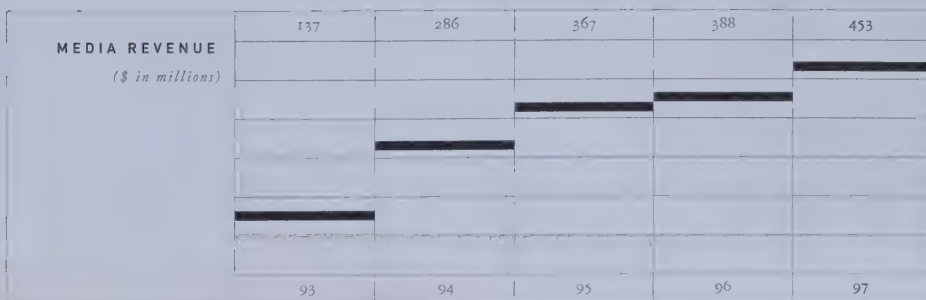
	1997	1996	% CHANGE
Revenue			
Magazine Publishing	\$ 235.7	\$ 208.4	13.1 %
Broadcasting	216.2	179.4	20.5 %
New Media	1.0	—	—
Total	\$ 452.9	\$ 387.8	16.8 %
Operating profit⁽¹⁾			
Magazine Publishing	\$ 24.6	\$ 17.3	42.2 %
Broadcasting	31.0	18.5	67.6 %
New Media	(1.5)	(0.7)	—
Total	\$ 54.1	\$ 35.1	54.2 %
Operating profit⁽¹⁾ as a % of revenue			
Magazine Publishing	10.4%	8.3%	
Broadcasting	14.3%	10.3%	
Total	11.9%	9.0%	
Capital Expenditures	\$ 8.6	\$ 12.8	(32.8)%

⁽¹⁾ Operating income before depreciation and amortization and corporate management fees to Rogers.

1997 OVERVIEW — MEDIA

Total revenue for Media was \$452.9 million, an increase of \$65.1 million or 16.8% from \$387.8 million in 1996. Acquisitions in Magazine Publishing in 1997 accounted for \$11.4 million of this increase. All of the advertising-dependent businesses had strong revenue growth, and tSc, the televised home-shopping service, recorded growth in revenue of 38% during 1997.

Operating profit was \$54.1 million, an increase of \$19.0 million or 54.2% from \$35.1 million in 1996. The 1996 results include \$3.0 million of unusual operating expenses related to the closure of Homes Plus, a televised real estate listings channel, and the termination of a licensing arrangement with The Home Shopping Network.



MAGAZINE PUBLISHING

Magazine Publishing revenue was \$235.7 million in 1997, an increase of \$27.3 million or 13.1% over 1996. All of Magazine Publishing's major divisions recorded revenue increases in 1997 compared to 1996. Excluding acquisitions, the growth was most pronounced in the business and professional titles (an increase of 10.8%), and the consumer titles grew by 6.0% overall.

After a relatively slow start to the year, demand for advertising increased rapidly in the second quarter and continued for the balance of the year. Overall advertising revenue, excluding the effect of acquisitions, increased by 6.9% in 1997 compared to 1996. Including acquisitions, total advertising revenue increased 13.6%.

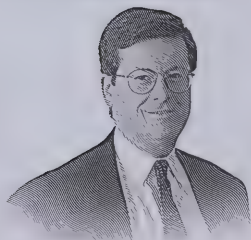
Circulation revenue increased 3.2% compared to 1996 largely due to price increases as circulation levels for our major consumer titles were held at 1996 levels. During 1997, Magazine Publishing invested in developing paid circulation for *Modern Woman*[™] magazine which had 62,000 paid circulation by the end of the year. Circulation margins were flat compared to the prior year notwithstanding the postal strike in November.

Paper prices for coated magazine stock continued to be volatile. After remaining stable for the first half of the year, they increased approximately 16% in the summer and a further increase of approximately 7% has been announced for January 1998. Overall, paper cost in 1997 was approximately the same as in 1996, as the higher volumes were offset by lower average prices during the year.

In February 1997 seven professional titles were acquired in the health care sector, including *Family Practice*[™] and *Patient Care*[™]. A meeting and convention directory business was acquired in April. Together these acquisitions contributed \$2.1 million to operating profit.

Overall, Magazine Publishing had an excellent year. Operating income before depreciation and amortization was \$24.6 million, an increase of \$7.3 million or 42.2% from \$17.3 million in 1996. Excluding acquisitions, the increase was \$5.2 million or 30.0%. With very buoyant advertising markets for most of the year, improvements were spread across all of the consumer and business titles. *Maclean's*[™], *L'actualité*[™] and *Marketing*[™] magazines enjoyed the highest absolute increases in operating profit in the year.

Broadcasting revenue was \$216.2 million in 1997, an increase of \$36.8 million or 20.5% over 1996. All of Broadcasting's major divisions recorded strong revenue growth in 1997, with tSc continuing to lead with growth of \$23.4 million.



MEDIA HAD A BANNER YEAR IN 1997, REPORTING AN OPERATING PROFIT INCREASE OF OVER 54% PERCENT. IN ADDITION TO STELLAR PERFORMANCE FROM OUR CORE BROADCASTING AND PUBLISHING BUSINESSES, WE ALSO LAUNCHED SEVERAL NEW MEDIA INITIATIVES, INCLUDING YAHOO! CANADA, THE QUICKEN FINANCIAL NETWORK AND CNET. OUR OBJECTIVES IN 1998 ARE TO CONTINUE TO IMPROVE THE PERFORMANCE OF OUR CORE BUSINESSES, AND TO EXPAND THE NEW MEDIA BUSINESSES AND MOVE THEM TOWARD PROFITABILITY.

JOHN H. TORY, Q.C.
President and Chief Executive Officer
Rogers Media Inc.

The Radio division increased revenues by 16.9% in 1997, compared to the prior year's results. Revenue growth was spread across all stations, but was especially strong in the Toronto, Vancouver, Ottawa and Kitchener markets. In Toronto, 680News™ recorded its strongest year since its launch as an all news station, continuing to improve its ratings and revenue performance, while CHFI-FM™ maintained its leadership position. In Vancouver, 1130News™ also continued to improve its ratings and revenue, and CKKS-FM™ had a very successful year. During 1997, the Radio division invested in more attractive programming for the AM stations in Victoria, Calgary, and Kitchener with the objective of improving the profitability of these stations.

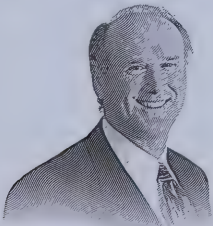
Revenue at CFMT-TV,™ the multilingual television station in Toronto, increased by 7.3% compared to 1996 in part due to growth in the market, and also to an enhanced programming strategy for the fall 1997 season. Programming expenses for the year as a whole were significantly below those of the prior year, which enabled the station to report an improvement in annual operating income of 44.2% over 1996 results. CFMT-TV's ability to acquire attractive programming for the Ontario market has improved significantly since last year. For example, the licensing of new independent television stations in Vancouver and Alberta enables CFMT-TV to share the cost of certain national rights with other independent broadcasters and thereby acquire the rights for Ontario on attractive terms.

tSc increased both the number of items shipped and the average item sales price in 1997, as compared to 1996, while revenues for 1997 were 38.0% higher than they were in 1996. Operating income for tSc also improved, although gross margins declined. The rapid growth also required investment in warehousing and other infrastructure costs. During 1997, tSc negotiated long-term carriage agreements with cable distributors. These agreements also resulted in an increase in cable access fees.

Operating for Broadcasting (including tSc) was \$31.0 million, an increase of \$12.5 million or 67.6% from \$18.5 million in 1996. Excluding unusual items, the increase in operating profit was \$8.6 million or 40.3%.

NEW MEDIA

Media has continued to invest in New Media properties during 1997, including the signing of a number of licensing agreements with leading U.S. Internet brands. During the year, Yahoo! Canada expanded to become one of the leading advertising-supported Canadian Internet sites with page views of approximately 15 million in December 1997. CNET Briefs Canada, a leading technology site, and Quicken Financial Network Canada, a personal finance site, were launched during the year. Rogers New Media will be launching Electric Library Canada, an archival reference and research site, in early 1998. These initiatives have resulted in New Media realizing a solid position of market leadership in the rapidly growing Internet advertising market.



1997 WAS ANOTHER YEAR OF STRONG GROWTH IN RADIO AND TELEVISION BROADCASTING AND OF THE IMPRESSIVE FINANCIAL GROWTH OVER THE LAST YEAR IN MULTIMEDIA OPERATIONS. ADDITIONAL GROWTH AND THE RESULT OF EXTENSIVE STRATEGIES, INCLUDING MULTIPLE LICENSING AGREEMENTS IN RADIO, SHOULD RESULT IN FURTHER GROWTH.

ANTHONY P. VITALE
President and Chief Executive Officer
Rogers Broadcasting Limited

C. FINANCIAL INSTRUMENTS

Rogers structures its borrowings generally on a stand-alone basis. Therefore, borrowings by each of its four business groups and by the parent company are generally secured only by the assets of the respective entities within each group, and such instruments generally do not provide for cross-collateralization or cross-defaults between groups, or guarantees. Currently, however, Rogers has provided a limited recourse guarantee of Cablesystems' bank credit facilities. This guarantee was provided in conjunction with a December 1997 amendment to the Cablesystems bank credit facilities in which, among other things, the bank lenders permitted the sale of Cablesystems' RNS division to an affiliate now known as Telecom. Recourse under the guarantee is limited to the pledge of shares of Wireless or other marketable securities having a value of at least \$200 million.

Assistance for servicing the parent company financial obligations generally comes from three sources on an ongoing basis, including: management fees paid by the operating subsidiaries to the parent company; interest income on and repayment of intercompany advances; and other distributions from the operating companies allowable under the terms of their various financial instruments. For details regarding the \$5.58 billion of consolidated long-term debt outstanding at December 31, 1997, see Note 7 to the Consolidated Financial Statements.

INTEREST RATE AND FOREIGN EXCHANGE MANAGEMENT

Rogers closely manages its exposure to floating interest rates and U.S. dollar foreign exchange fluctuations through the use of interest rate and cross-currency exchange agreements or “swaps.” In order to minimize the risk of counterparty default under its swap agreements, Rogers assesses the credit worthiness of its swap counterparties. Currently, 100% of its total swap portfolio is held by financial institutions with a Standard & Poor’s rating (or the equivalent) of AA. As at December 31, 1997, Rogers’ U.S. dollar denominated long-term debt amounted to US\$3.29 billion.

Rogers targets to maintain fixed interest rates on at least 80% of its outstanding long-term debt. Apart from a period in 1994 when a floating rate bridge facility incurred to finance the acquisition of Maclean Hunter Limited was outstanding, this goal has been maintained for several years through a combined use of interest rate swaps and fixed rate debt instruments. At December 31, 1997, 88.3% of consolidated debt was fixed with respect to interest rates. The weighted average interest rate for total long-term debt was 9.3% at December 31, 1997, for a weighted average term of approximately 9.2 years.

The incurrence of U.S. dollar denominated debt has caused substantial foreign exchange exposure as

[illegible]

Rogers' revenue and assets are almost exclusively denominated in Canadian dollars. In recognition of this, several years ago Rogers established a target of hedging approximately 50% of its foreign exchange exposure through the use of cross-currency swaps (excluding U.S. dollar denominated convertible debt). In addition, in 1997 Rogers started to use short-term foreign exchange options to augment the hedged position with respect to foreign exchange fluctuations. At December 31, 1997, excluding the U.S. dollar denominated convertible debt due 2005 (US\$172.0 million), approximately 36.7%, or US\$1.14 billion of Rogers' debt was hedged with respect to foreign exchange. Including an additional US\$100 million hedged on a short-term basis with foreign exchange options, approximately 39.9% of Rogers' foreign exchange exposure was hedged, excluding the U.S. dollar denominated convertible debentures due 2005. Currently, management is comfortable with its hedged position since (other than the LYONs obligation which will be extinguished in 1998) there are no material scheduled U.S. dollar denominated unhedged principal repayments due until 2005. Management has also taken into consideration the prevailing economic forecasts which predict a strengthening of the Canadian dollar versus the U.S. dollar. Management continually re-evaluates its hedging strategies.

The effect of having entered into the cross-currency swap agreements is to convert the obligation to service U.S. dollar denominated debt in the amount of US\$1.14 billion into Canadian dollar denominated debt at an average exchange rate of 1.2592 Canadian dollars to US\$1.00. Excluding the U.S. dollar convertible debt due 2005, Rogers calculates that on the unhedged portion of its U.S. dollar debt, each 1¢ change in the Canadian dollar versus the U.S. dollar results in a change in principal amount of debt and annual interest expense of CDN\$19.7 million and CDN\$1.8 million, respectively. This yields an approximate 2¢ change in consolidated earnings per share. The U.S. dollar convertible debt due 2005, described in more detail in Note 7 to the Consolidated Financial Statements, has been excluded from the above totals because it is convertible into Class B Non-Voting Shares until its maturity in 2005.

The following table presents a summary of the effect of changes in the foreign exchange rate on the unhedged portion of Rogers' U.S. dollar denominated debt and the resulting change in its debt principal, interest expense, and earnings per share. Again, calculations exclude U.S. dollar convertible debt due 2005.

CHANGE IN CDN\$ VERSUS US\$ ⁽¹⁾	CHANGE IN DEBT PRINCIPAL AMOUNTS (MILLIONS)	CHANGE IN INTEREST EXPENSE (MILLIONS)	EARNINGS PER SHARE ⁽²⁾
1¢	\$ 19.7	\$ 1.8	2¢
3¢	59.1	5.4	6¢
5¢	98.5	9.0	10¢
10¢	197.0	18.0	21¢

⁽¹⁾ Canadian equivalent of unhedged U.S. debt if U.S. dollar costs an additional Canadian cent.

⁽²⁾ Assumes no income tax effect. Includes the interest impact and the amortization of the change in principal amounts, which would be amortized over the remaining life of the unhedged debt estimated at approximately 10.5 years.



WE TOOK ADVANTAGE OF THE EXCEPTIONALLY STRONG CAPITAL MARKETS IN 1997 TO BOTH EXTEND THE TERM OF OUR DEBT FINANCING AND REDUCE COUPON RATES. BASED ON OUR CURRENT BUDGETS, EACH OF WIRELESS, CABLESYSTEMS, MEDIA AND ROGERS CORPORATE ARE FUNDED AT LEAST THROUGH 1998.

M. LORRAINE DALY
Vice President, Treasurer
Rogers Communications Inc.

Rogers' US\$3.29 billion of long-term debt, or US\$3.12 billion excluding the U.S. dollar convertible debt due 2005, is spread among its different operating entities and the parent company. The following table provides a breakdown by company of the U.S. dollar exposure, excluding U.S. dollar denominated convertible debt due 2005 of US\$172.0 million, and the percentage of this exposure by business unit that has been hedged as at December 31, 1997.

U.S. DOLLAR DEBT BUSINESS	(MILLIONS)	% HEDGED
Wireless	\$ 1,175	32.8%
Cablesystems	1,377	51.4%
Rogers Corporate ⁽¹⁾	565	8.8%
Total	\$ 3,117	36.7%

(1) Excluding U.S. dollar denominated convertible debt due 2005 of US\$172.0 million.

D. FINANCIAL POSITION

LIQUIDITY AND CASH FLOW

This discussion is based upon the Consolidated Statements of Income on page 62 and the Consolidated Statements of Changes in Financial Position on page 63 of the Consolidated Financial Statements.

For many years, Rogers has invested in expanding its existing communications businesses as well as investing in new communications initiatives all of which are highly capital intensive. Mainly as a result of these large capital expenditures and the significant amount of debt used to finance them, interest expense and depreciation expense have remained high and resulted in cash shortfalls as well as net losses in all years since 1990.

In 1997, Rogers reported a special provision for restructuring and asset writedowns of \$394.3 million. The special charge relates mainly to Wireless and it is expected that approximately \$85 million is to be cash. (See Note 9 to the Consolidated Financial Statements.)

In addition, a loss on the early repayment of long-term debt in the amount of \$70.3 million was expensed in 1997. This amount relates to the early repayment of Rogers' US\$250 million 10% senior debentures due 2004 and Wireless' US\$200 million 11% senior subordinated guaranteed notes due 2002. (See "Financing" below.) The cash component of the loss on early repayment of long-term debt in 1997 was \$25.1 million. (See Note 5(B) and Note 7 to the Consolidated Financial Statements.)

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discussed) as well as a \$68 million increase in Cablesystems' bank debt. As a result of the debt issuances and repayments, long-term debt increased \$660.6 million in 1997 to \$5.58 billion, of which \$143 million was bank debt (compared to \$246 million in 1996).

FINANCING

During 1997, Wireless amended and increased its bank credit facility to \$800 million with a group of banks. The amended facility extended the term by 3.5 years and increased the authorized amount by \$300 million.

In July 1997, Rogers completed the sale of US\$330 million of 8% Senior Notes due 2007 and CDN\$165 million of 8% Senior Notes due 2007 for an aggregate issuance of approximately CDN\$620 million. The U.S. dollar tranche was priced at 99.830 to yield 8.90% and the Canadian dollar tranche was priced at par. Net proceeds from the issuance were used to redeem all of Rogers' US\$250 million 10% senior debentures due 2004 on August 26, 1997, and to pre-fund the funds necessary to extinguish in 1998 the obligations under the 5% LYONs due 2013, as well as for general corporate purposes.

In September 1997, Rogers Cantel Inc. completed the sale of US\$490 million of senior secured debt and senior subordinated debt consisting of two tranches as follows: US\$275 million of 8.30% Senior Secured Notes due 2007 and US\$215 million of 8.80% Senior Subordinated Notes due 2007. The Secured Notes and the Subordinated Notes were each sold at a slight discount to par to yield 8.34% and 8.84% respectively. Proceeds from the Securities were used to repay all outstanding bank indebtedness at Rogers Cantel Inc. and to redeem Rogers Cantel Inc.'s existing US\$200 million 11% Senior Subordinated Guaranteed Notes due 2002 on October 31, 1997, as well as for general corporate purposes.

As a result of the redemption of the Rogers Cantel Inc. Notes and Rogers Communications Inc. Debentures, a non-recurring charge of \$70.3 million before income taxes was recognized in the third quarter for deferred foreign exchange losses, deferred financing costs and the premium paid on repayment. Approximately \$45.2 million of the charge was a non-cash charge.

On March 10, 1997, Wireless announced its intention to initiate a normal course issuer bid for purchase of up to one million of its Class B Restricted Voting Shares through the facilities of the Toronto Stock Exchange. On September 29, 1997, Wireless completed the purchase of one million Class B Restricted Voting Shares at an average cost of \$25.66 per share, for a total cost of \$25.7 million.

In December 1997, Cablesystems entered into an agreement amending the bank facilities which, among other things, permitted the transfer of Cablesystems' RNS division to an affiliate, now known as Telecom. In conjunction with the execution of this amending agreement, Rogers agreed to provide a guarantee of the bank facility with recourse limited to the pledge of shares of Wireless or other marketable securities having a value of at least \$200 million.

On January 30, 1998, Telecom entered into a \$100 million revolving bank credit facility to fund its interim needs. Telecom will use this facility to fund its continuing CAP business plan as well as the early stages of its CLEC business plan. Given the capital intensive nature of both the CAP business and the CLEC business, Telecom intends to access the public and/or private capital markets in 1998 to fund its business plans. As well, Telecom plans to issue equity during 1998. The first use of proceeds from such financings would be used to repay borrowings under Telecom's interim bank credit facility.

Of Rogers' total long-term debt of \$5.58 billion, total bank debt outstanding at December 31, 1997, was \$145.9 million, down from \$248.8 million at year-end 1996. Of this total, the principal components were \$75.0 million outstanding under the Wireless facility and \$68.0 million outstanding under the Cablesystems facility.

At December 31, 1997, Rogers' bank facilities provided for aggregate credit limits of \$1,630.8 million, \$1,479.5 million of which was unutilized. Generally, access to these credit facilities is subject to compliance with certain debt to cash flow covenants, and at December 31, 1997, Rogers could have borrowed additional long-term debt in the amount of \$683.5 million (\$238.6 million at Wireless, \$311.1 million at Cablesystems, and \$133.8 million under other credit facilities).

Of all the Rogers debt instruments, the provisions of the bank loan agreements generally impose the most restrictive limitations on the operations and activities of the companies governed by these agreements. The most significant of these restrictions are debt incurrence and maintenance tests and restrictions upon additional investments, and sales of assets and distributions to shareholders. Rogers and its subsidiaries are currently in compliance with all of the covenants under their respective debt instruments. See Note 7 to the Consolidated Financial Statements for additional details.

As mentioned above, there are restrictions on the amount of funds that can be distributed out of the operating companies to the parent company. On December 31, 1997, a total of \$348.2 million could have been distributed to the parent company from the operating companies in the form of repayments of inter-company notes.

Rogers' required repayments on all long-term debt in the next five years total \$767.5 million, of which \$59.0 million is due in 1998 for a scheduled principal repayment under a senior subordinated Cablesystems note issuance. As well, during 1998 Rogers plans to extinguish its LYONs obligation which was \$192.9 million at December 31, 1997. The repayments in 1999 through 2001 include principal repayments of approximately \$176.9 million under the 11.09% Senior Subordinated Notes of Cablesystems due 2000. The 1999 repayment includes the assumed repayment of the Rogers \$200 million Convertible Subordinated Debentures. There are no substantive principal repayments in 2001. The 2002 amount includes the repayment of Cablesystems US\$250 million Senior Secured Second Priority Notes. See Note 7 to the Consolidated Financial Statements for further details on debt repayments. Rogers expects to refinance the majority of these borrowings as they come due.

During 1998, Rogers anticipates operating profit to increase, interest expense to increase, but capital expenditures to be reduced. Rogers expects that this will result in a net cash shortfall in 1998 below the 1997 level of \$818.5 million. In addition, Rogers expects that there will be a net cash shortfall in years subsequent to 1998.

Rogers expects that cash from Wireless' operations, together with additional borrowings available to Wireless under the amended bank credit facility, will provide Wireless with sufficient financial resources through 2000.

Rogers expects that cash from operations, together with additional borrowings available to Cablesystems under existing credit facilities, will be sufficient to meet Cablesystems' capital and other expenditure requirements through 1998.

Rogers expects that subsequent to 1998, Cablesystems will require additional financing to provide sufficient financial resources. Rogers expects such additional financing to be raised by Cablesystems from one or more of the following: public or private debt offerings; modifications to, or the replacement of, Cablesystems' bank facility; the sale of non-strategic cable systems; or the issuance of equity by Rogers or one or more of its subsidiaries and the contribution of those proceeds to Cablesystems.

Rogers has made arrangements to fund its financial obligations on an unconsolidated basis in 1998, assuming borrowings are made by Wireless, Cablesystems, and Media under their separate bank credit facilities, and that a portion of such proceeds will be transferred to Rogers via that repayment of intercompany debt and distributions in the form of dividends. Included in these amounts is the repayment of \$224.5 million of intercompany debt owing by Wireless, the majority of which is required by Rogers during the year to extinguish the obligation under the LYONs.

Rogers expects that subsequent to 1998, it will require additional funds to satisfy its financial obligations on a corporate basis. These additional funds could be obtained from various sources including the issuance of equity, the sale of assets, or the issuance of additional debt. Each of these funding sources could be used by Rogers or one or more of its subsidiaries, and a portion of such proceeds transferred to Rogers.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

The preceding Management's Discussion and Analysis contains forward-looking statements that involve risk and uncertainties. The statements under, but not limited to, the following headings contain such information: 'Risk and Uncertainties – Consolidated – Year 2000 Readiness,' which describes the plans and objectives related to the Company's technological readiness for year 2000, "Distribution – Wireless," which describes plans and objectives for Wireless' distribution channels, "Customer Satisfaction and Retention – Wireless," which describes programs aimed at customer satisfaction, "Operating Costs – Wireless," which describes cost reduction plans, "Capital Expenditure – Wireless," "Capital Expenditure – Cablesystems," "Capital Expenditures – Telecom," and "Capital Expenditures – Media," which describes projected capital spending for 1998 and "Financing" which describes certain anticipated results and liquidity for 1998 and beyond. The Company cautions that the actual future performance will be affected by a number of factors, including without limitations, technological change which may impact the Company's capital expenditures and results of operations, regulatory change which may affect the Company's competitive strategy, and competitive factors which may alter the timing and amount of the Company's capital expenditures, all of which could adversely affect the Company's revenue expectations and results of operations. Many of these factors are beyond the Company's control, therefore, future events may vary substantially from what the Company currently foresees. The Company wishes to caution readers not to place undue reliance on such forward-looking statements which speak only as of the date made.

COMMON STOCK INFORMATION

SHARE PRICE AND TRADING VOLUME — THE TORONTO STOCK EXCHANGE
(RCI.A VOTING SHARES) CDN\$

YEARS ENDED		FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL YEAR
December 1995	High	\$ 20.00	\$ 19.63	\$ 17.75	\$ 16.88	\$ 20.00
	Low	\$ 17.50	\$ 15.25	\$ 14.25	\$ 12.38	\$ 12.38
	Close	\$ 19.75	\$ 17.25	\$ 14.25	\$ 16.50	\$ 16.50
	Volume (000s)	138	357	180	333	1,008
December 1996	High	\$ 17.13	\$ 15.25	\$ 13.50	\$ 12.25	\$ 17.13
	Low	\$ 13.50	\$ 13.25	\$ 9.25	\$ 8.75	\$ 8.75
	Close	\$ 14.25	\$ 13.40	\$ 9.25	\$ 10.85	\$ 10.85
	Volume (000s)	391	1,219	414	390	2,414
December 1997	High	\$ 11.15	\$ 11.50	\$ 11.95	\$ 10.50	\$ 11.95
	Low	\$ 9.10	\$ 7.50	\$ 9.10	\$ 6.75	\$ 6.75
	Close	\$ 9.35	\$ 10.00	\$ 9.10	\$ 7.85	\$ 7.85
	Volume (000s)	258	157	89	209	713

SHARE PRICE AND TRADING VOLUME — THE TORONTO STOCK EXCHANGE
(RCI.B NON-VOTING SHARES) CDN\$

YEARS ENDED		FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL YEAR
December 1995	High	\$ 18.88	\$ 18.25	\$ 16.38	\$ 16.00	\$ 18.88
	Low	\$ 16.50	\$ 13.75	\$ 13.00	\$ 11.50	\$ 11.50
	Close	\$ 18.25	\$ 16.13	\$ 13.25	\$ 15.25	\$ 15.25
	Volume (000s)	25,859	34,574	20,096	20,103	100,632
December 1996	High	\$ 16.13	\$ 14.00	\$ 12.95	\$ 11.60	\$ 16.13
	Low	\$ 12.25	\$ 12.38	\$ 8.20	\$ 8.15	\$ 8.15
	Close	\$ 12.38	\$ 12.80	\$ 8.25	\$ 10.10	\$ 10.10
	Volume (000s)	22,909	38,045	22,572	17,577	101,103
December 1997	High	\$ 10.60	\$ 10.10	\$ 11.15	\$ 10.00	\$ 11.15
	Low	\$ 8.15	\$ 6.75	\$ 8.00	\$ 5.90	\$ 5.90
	Close	\$ 8.75	\$ 8.65	\$ 8.50	\$ 6.90	\$ 6.90
	Volume (000s)	14,033	32,113	21,661	39,563	107,370

SHARE PRICE AND TRADING VOLUME — THE NEW YORK STOCK EXCHANGE
(RG NON-VOTING SHARES) US\$

YEARS ENDED		FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL YEAR
December 1996*	High	\$ 11.75	\$ 10.13	\$ 9.38	\$ 8.63	\$ 11.75
	Low	\$ 9.13	\$ 9.13	\$ 6.00	\$ 6.13	\$ 6.00
	Close	\$ 9.25	\$ 9.25	\$ 6.00	\$ 7.13	\$ 7.13
	Volume (000s)	2,580	881	1,230	1,624	6,316
December 1997	High	\$ 7.75	\$ 7.37	\$ 7.94	\$ 7.06	\$ 7.94
	Low	\$ 6.00	\$ 4.87	\$ 5.93	\$ 4.25	\$ 4.25
	Close	\$ 6.25	\$ 6.18	\$ 6.00	\$ 4.87	\$ 4.87
	Volume (000s)	547	1,582	707	912	3,749

* First day of trading on the New York Stock Exchange was January 11, 1996

SUBSCRIBER STATISTICS

KEY WIRELESS STATISTICS

YEARS ENDED DECEMBER 31	1997	1996	1995	1994	1993
CELLULAR STATISTICS ⁽¹⁾					
Subscribers	1,552,100	1,369,600	1,049,400	793,900	573,400
Subscribers to population served	5.55%	4.97%	4.00%	3.09%	2.26%
Average monthly revenue per subscriber	\$ 59	\$ 66	\$ 73	\$ 79	\$ 84
Average monthly operating expense per subscriber ⁽²⁾	\$ 19	\$ 21	\$ 22	\$ 27	\$ 32
Switches	19	18	17	17	17
Cell sites	1,462	1,133	862	785	746

PAGING STATISTICS

Subscribers	253,600	242,800	201,800	191,800	115,400
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KEY CABLE TELEVISION STATISTICS⁽³⁾

Homes in licensed area	2,778,158	2,744,344	2,987,836	2,941,873	2,091,701
Homes passed by cable	2,767,045	2,733,367	2,975,885	2,930,106	2,083,334
Basic cable subscribers	2,243,739	2,229,635	2,432,320	2,401,375	1,753,392
Basic to homes passed	81.1%	81.6%	81.7%	82.0%	84.2%
Pay television households ⁽⁴⁾	197,089	240,729	269,303	290,289	240,645
Pay to basic	8.8%	10.8%	11.1%	12.1%	13.7%
Cable Plus to basic	88.8%	88.1%	87.9%	93.5%	98.4%
Average monthly cable revenue per subscriber ⁽⁵⁾	\$ 29.73	\$ 28.28	\$ 27.78	\$ 26.85 ⁽⁶⁾	\$ 25.17

CANADIAN CABLE SUBSCRIBERS

BREAKDOWN AT DECEMBER 31, 1997	HOMES PASSED	BASIC SUBSCRIBERS	BASIC SUBSCRIBERS TO HOMES PASSED	% OF SUBSCRIBERS
ONTARIO				
Greater Toronto Area	1,189,514	971,414	81.7%	43.3%
Ottawa	309,870	245,374	79.2%	10.9%
Southwestern Ontario	505,991	403,083	79.7%	18.0%
Total	2,005,375	1,619,871	80.8%	72.2%
BRITISH COLUMBIA				
Vancouver	350,068	277,934	79.4%	12.4%
Greater Vancouver Area	411,602	345,934	84.0%	15.4%
Total	761,670	623,868	81.9%	27.8%
Grand Total	2,767,045	2,243,739	81.1%	100.0%

⁽¹⁾Per subscriber Wireless statistics are based on a 13-point average.

⁽²⁾Before sales and marketing expenses.

⁽³⁾All subscriber statistics exclude the Alaska cable system which had 6,065 subscribers at December 31, 1997.

⁽⁴⁾Includes 10,029 Bulk as in prior years.

⁽⁵⁾Includes revenues from cable operations (Basic Cable service, Cable Plus, pay television, pay-per-view, installation and converters). These figures exclude Hotel Pay TV, Local Telecommunications and Video Store revenues.

⁽⁶⁾Calculated on a pro forma basis (assuming all purchases, sales and swaps had been in effect for the full year).

TEN-YEAR FINANCIAL SUMMARY

YEARS ENDED DECEMBER 31
(IN THOUSANDS OF DOLLARS,
EXCEPT PER SHARE AMOUNTS)

	1997	1996	1995	1994
INCOME AND CASH FLOW				
Revenue				
Wireless	\$ 1,241,329	\$ 1,102,854	\$ 899,521	\$ 750,420
Cablesystems	944,820	953,278	905,662	827,451
Telecom	56,243	38,993	23,727	15,360
Media	452,930	387,828	367,133	286,518
	<u>2,695,322</u>	<u>2,482,953</u>	<u>2,196,043</u>	<u>1,879,749</u>
Operating income before restructuring charges and asset writedowns and depreciation and amortization				
Wireless	395,661	351,145	315,642	289,921
Cablesystems	361,046	322,734	339,729	367,951
Telecom	24,527	14,101	12,095	7,839
Media	54,076	35,062	33,417	23,655
Corporate	(21,198)	(18,748)	(22,536)	(18,852)
	<u>814,112</u>	<u>704,294</u>	<u>678,347</u>	<u>670,514</u>
Non-recurring items, net of income taxes and minority interest	(429,171)	(134,661)	(136,602)	(41,927)
Net income (loss)	<u>\$ (539,455)</u>	<u>\$ (278,370)</u>	<u>\$ (283,357)</u>	<u>\$ (168,013)</u>
Cash flow from operations ⁽¹⁾	\$ 356,075	\$ 258,688	\$ 276,498	\$ 335,022
Capital expenditures	\$ 979,922	\$ 945,098	\$ 579,692	\$ 406,762
Average Class A and Class B shares outstanding (000's)	178,226	178,080	177,614	172,767
Per share				
Net income (loss)	\$ (3.17)	\$ (1.72)	\$ (1.78)	\$ (1.16)
Cash flow from operations ⁽¹⁾	\$ 2.00	\$ 1.45	\$ 1.56	\$ 1.94
BALANCE SHEET				
Assets				
Fixed assets	\$ 3,298,994	\$ 2,870,249	\$ 2,622,318	\$ 2,380,114
Goodwill, subscribers and licences	1,563,874	1,577,036	1,918,529	1,933,996
Investments	449,768	429,052	224,547	513,498
Other assets	834,379	1,137,978	1,023,567	1,301,019
	<u>\$ 6,147,015</u>	<u>\$ 6,014,315</u>	<u>\$ 5,788,961</u>	<u>\$ 6,128,627</u>
Liabilities and Shareholders' Equity (Deficiency)				
Long-term debt	\$ 5,583,353	\$ 4,922,716	\$ 4,360,470	\$ 4,174,922
Accounts payable and other liabilities	953,824	824,771	820,225	851,749
Deferred income taxes	127,261	221,388	266,986	283,391
Minority interest	—	—	71,323	67,794
Shareholders' equity (deficiency)	(517,423)	45,440	269,957	750,771
	<u>\$ 6,147,015</u>	<u>\$ 6,014,315</u>	<u>\$ 5,788,961</u>	<u>\$ 6,128,627</u>

⁽¹⁾ Cash flow from operations before changes in working capital amounts.

1993	1992	1991	1990	1990	YEARS ENDED AUGUST 31	
					1989	1988
\$ 605,614	\$ 516,519	\$ 414,262	\$ 346,427	\$ 295,989	\$ 177,951	\$ 37,515
581,157	509,405	459,860	423,569	395,101	334,844	277,812
12,392	8,507	5,957	—	—	—	—
137,315	137,538	131,384	136,386	124,862	93,637	46,290
1,336,478	1,171,969	1,011,463	906,382	815,952	606,432	361,617
198,648	129,452	99,605	54,051	48,673	30,026	6,856
246,981	196,429	183,205	154,815	144,254	149,704	142,511
5,303	3,143	1,706	—	—	—	—
14,725	17,108	13,948	12,088	10,487	5,374	5,063
(16,164)	(14,518)	(12,711)	(11,402)	(10,248)	(5,012)	(3,320)
449,493	331,614	285,753	209,552	193,166	180,092	151,110
(103,920)	(24,656)	87,208	6,774	—	688,106	72,661
\$ (287,049)	\$ (180,317)	\$ (59,994)	\$ (106,426)	\$ (71,967)	\$ 702,833	\$ 84,812
\$ 180,069	\$ 111,240	\$ 99,890	\$ 64,949	\$ 74,062	\$ 116,763	\$ 86,530
\$ 317,537	\$ 411,047	\$ 289,070	\$ 605,143	\$ 600,004	\$ 420,249	\$ 121,699
160,696	152,784	130,179	120,092	111,861	101,749	125,062
\$ (1.89)	\$ (1.30)	\$ (0.76)	\$ (1.32)	\$ (1.06)	\$ 6.67	\$ 0.56
\$ 1.12	\$ 0.73	\$ 0.77	\$ 0.54	\$ 0.66	\$ 1.15	\$ 0.69
\$1,900,932	\$ 1,835,005	\$ 1,646,511	\$ 1,510,014	\$ 1,386,250	\$ 833,595	\$ 498,841
839,484	914,907	959,129	954,869	956,333	867,278	229,782
549,601	516,001	446,782	531,829	542,672	183,172	298,587
680,860	829,085	296,327	214,029	200,083	118,555	85,296
\$3,970,877	\$4,094,998	\$ 3,348,749	\$ 3,210,741	\$ 3,085,338	\$ 2,002,600	\$ 1,112,506
\$ 2,773,721	\$ 2,696,286	\$ 2,000,832	\$ 1,871,795	\$ 1,656,971	\$ 755,418	\$ 899,499
443,703	423,330	345,020	325,498	356,933	255,161	173,606
168,974	277,369	270,920	205,835	208,157	210,532	31,778
—	18,862	43,054	1,026	1,026	1,026	20,602
584,479	679,151	688,923	806,587	862,251	780,463	(12,979)
\$3,970,877	\$4,094,998	\$ 3,348,749	\$ 3,210,741	\$ 3,085,338	\$ 2,002,600	\$ 1,112,506

QUARTERLY COMPARISON 1996-1997

1997

(IN THOUSANDS OF DOLLARS,
EXCEPT PER SHARE AMOUNTS)

DEC 31

SEPT 30

JUNE 30

MAR 31

INCOME STATEMENT

Revenue

Wireless	\$ 345,741	\$ 320,877	\$ 308,198	\$ 266,513
Cablesystems	243,202	241,379	232,955	227,284
Telecom	15,368	14,903	13,894	12,078
Media	129,280	105,978	119,725	97,947
	<u>733,591</u>	<u>683,137</u>	<u>674,772</u>	<u>603,822</u>

Operating income before
restructuring charges and asset
writedowns and depreciation
and amortization

Wireless	88,019	103,809	111,918	91,915
Cablesystems	91,049	93,919	89,789	86,289
Telecom	7,550	6,795	5,706	4,476
Media	16,572	12,088	18,154	7,262
Corporate	(7,346)	(4,977)	(4,692)	(4,183)
	<u>195,844</u>	<u>211,634</u>	<u>220,875</u>	<u>185,759</u>

Provision for restructuring
and asset writedowns

	394,315	—	—	—
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Depreciation and amortization

	144,719	123,472	121,996	122,461
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Operating income (loss)

	(343,190)	88,162	98,879	63,298
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Interest expense

	(130,493)	(122,535)	(115,424)	(114,082)
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Other income

	10,251	7,362	3,948	4,098
--	--------	-------	-------	-------

Non-recurring items

	—	(70,289)	—	—
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Income taxes

	40,455	19,172	9,690	11,243
--	--------	--------	-------	--------

Income (loss) from

discontinued operations

	—	—	—	—
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Loss for the period

	<u>\$ (422,977)</u>	<u>\$ (78,128)</u>	<u>\$ (2,907)</u>	<u>\$ (35,443)</u>
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Loss per share

	<u>\$ (2.41)</u>	<u>\$ (0.47)</u>	<u>\$ (0.05)</u>	<u>\$ (0.24)</u>
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OPERATING INCOME

MARGIN %⁽¹⁾

Wireless	25.5	32.4	36.3	34.5
Cablesystems	37.4	38.9	38.5	38.0
Telecom	49.1	45.6	41.1	37.1
Media	12.8	11.4	15.2	7.4
Consolidated	<u>26.7</u>	<u>31.0</u>	<u>32.7</u>	<u>30.8</u>

OTHER STATISTICS

Cash flow from operations⁽²⁾

	\$ 71,308	\$ 96,874	\$ 110,632	\$ 77,261
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Capital expenditures

	\$ 271,865	\$ 281,226	\$ 259,212	\$ 167,619
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⁽¹⁾ Before provision for restructuring and asset writedowns and depreciation and amortization.

⁽²⁾ Cash flow from operations before changes in working capital amounts.

(IN THOUSANDS OF DOLLARS.
EXCEPT PER SHARE AMOUNTS)

DEC 31

SEPT 30

JUNE 30

MAR 31

INCOME STATEMENT

Revenue

Wireless	\$ 304,177	\$ 286,130	\$ 273,536	\$ 239,011
Cablesystems	240,665	245,568	233,562	233,483
Telecom	11,122	10,030	10,408	7,433
Media	109,639	86,222	103,127	88,840
	665,603	627,950	620,633	568,767

Operating income before
restructuring charges and asset
writedowns and depreciation
and amortization

Wireless	89,872	92,381	92,648	76,244
Cablesystems	85,264	82,924	77,156	77,390
Telecom	4,247	3,424	3,279	3,151
Media	15,816	6,294	13,226	(274)
Corporate	(3,039)	(5,266)	(5,481)	(4,962)
	192,160	179,757	180,828	151,549

Provision for restructuring
and asset writedowns

—	87,701	—	—
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Depreciation and amortization

121,782	124,496	112,856	95,790
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Operating income (loss)

70,378	(32,440)	67,972	55,759
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Interest expense

(122,627)	(116,382)	(119,036)	(112,780)
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Other income

3,344	541	6,308	3,838
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Non-recurring items

57,130	(23,698)	(40,347)	—
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Income taxes

(36,543)	47,302	17,327	16,342
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Income (loss) from

discontinued operations

—	(24,072)	4,014	(700)
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Loss for the period

\$ (28,318)	\$ (148,749)	\$ (63,762)	\$ (37,541)
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Loss per share

\$ (0.20)	\$ (0.87)	\$ (0.40)	\$ (0.25)
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OPERATING INCOME

MARGIN %⁽¹⁾

Wireless	29.5	32.3	33.9	31.9
Cablesystems	35.4	33.8	33.0	33.1
Telecom	38.2	34.1	31.5	42.4
Media	14.4	7.3	12.8	(0.3)
Consolidated	28.9	28.6	29.1	26.6

OTHER STATISTICS

Cash flow from operations⁽²⁾

\$ 76,536	\$ 65,026	\$ 69,315	\$ 47,811
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Capital expenditures

\$ 275,913	\$ 220,698	\$ 255,584	\$ 192,903
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⁽¹⁾Before provision for restructuring and asset writedowns and depreciation and amortization.⁽²⁾Cash flow from operations before changes in working capital amounts.

CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)	YEAR ENDED	
	DECEMBER 31, 1997	DECEMBER 31, 1996
Revenue	\$ 2,695,322	\$ 2,482,953
Operating, general and administrative expenses	1,881,210	1,778,659
Operating income before the following	814,112	704,294
Provision for restructuring and asset writedowns (note 9)	394,315	87,701
Depreciation and amortization	512,648	454,924
Operating income (loss)	(92,851)	161,669
Interest on long-term debt	482,534	470,825
	(575,385)	(309,156)
Loss on early repayment of long-term debt (note 5(B))	(70,289)	(95,966)
Gain on sale of associated company (note 4(B))	—	25,002
Gain on sale of cable systems (note 2(B)(ii))	—	36,444
Gain on issue of warrants by subsidiary company to minority shareholder (note 6)	—	27,605
Investment income	15,882	17,588
Other income (expense)	9,777	(3,557)
Loss before income taxes and discontinued operations	(620,015)	(302,040)
Income taxes (note 10):		
Current	8,968	6,277
Deferred	(89,528)	(50,705)
	(80,560)	(44,428)
Loss from continuing operations	(539,455)	(257,612)
Loss from discontinued operations (note 2(B)(ii))	—	(20,758)
Loss for the year	\$ (539,455)	\$ (278,370)
Basic loss per share (note 11):		
Loss from continuing operations	\$ (3.17)	\$ (1.60)
Loss for the year	(3.17)	(1.72)
Weighted average number of Class A Voting and Class B Non-Voting shares outstanding (in thousands)	178,226	178,080

Fully diluted earnings per share are not disclosed as they are anti-dilutive.

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

(IN THOUSANDS OF DOLLARS)

YEAR ENDED
DECEMBER 31, 1997

YEAR ENDED
DECEMBER 31, 1996

Funds provided by (used for):

Operations:

Loss from continuing operations	\$ (539,455)	\$ (257,612)
Items not affecting funds:		
Depreciation and amortization	512,648	454,924
Deferred income tax reduction	(89,528)	(50,705)
Accrued interest due on repayment of certain notes	17,062	15,839
Provision for restructuring and asset writedowns	394,315	87,701
Loss on early repayment of long-term debt	70,289	95,966
Gain on sale of investments and warrants, net	(7,197)	(89,051)
Share of losses (income) of associated companies, net	(2,059)	1,626
	356,075	258,688
Changes in:		
Accounts receivable	(66,010)	(43,639)
Accounts payable and accrued liabilities and unearned revenue	13,711	12,457
Deferred charges	(44,817)	(63,155)
Other assets	4,268	(61,129)
	263,227	103,222

Financing:

Issue of long-term debt	1,378,218	1,314,409
Repayment of long-term debt	(881,691)	(823,959)
Financing costs incurred	(37,547)	(44,877)
Issue of capital stock	146	172,047
Redemption of capital stock	—	(90,000)
Issue of warrants by subsidiary company	—	32,500
Dividends on preferred shares	(26,078)	(27,395)
	433,048	532,725

Investments:

Additions to fixed assets	(979,922)	(945,098)
Purchase of subsidiary's capital stock	(25,662)	—
Investment in At Home Corporation	(20,965)	—
Funds generated from assets held for sale	—	160,703
Increase in investment in General Cable T.V. Limited	—	(170,000)
Proceeds on sale of subsidiary and associated companies, less cash on hand at date of sale of \$36,225	—	357,641
Proceeds on sale of cable systems	—	368,800
Purchase of cable systems	—	(124,085)
Acquisition of shares and notes of Cogeco Cable Inc.	—	(49,800)
Other investments	8,289	(12,561)
	(1,018,260)	(414,400)

Increase (decrease) in funds from continuing operations	(321,985)	221,547
Funds provided by discontinued operations (note 2(B)(ii))	—	30,908
Funds, beginning of year	310,686	58,231
Funds (deficiency), end of year	\$ (11,299)	\$ 310,686

Funds are defined as cash and short-term deposits less bank advances.

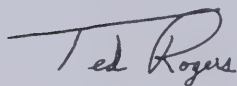
See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS OF DOLLARS)	AS AT	
	DECEMBER 31, 1997	DECEMBER 31, 1996
ASSETS		
Fixed assets (note 3)	\$ 3,298,994	\$ 2,870,249
Subscribers and licences	1,369,818	1,365,232
Goodwill	194,056	211,804
Investments (note 4)	449,768	429,052
Cash and short-term deposits	—	310,686
Accounts receivable, net of allowance for doubtful accounts of \$59,592 (1996 — \$52,842)	349,346	295,472
Deferred charges (note 5)	293,419	332,175
Other assets (note 6)	191,614	199,645
	<u>\$ 6,147,015</u>	<u>\$ 6,014,315</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Liabilities:		
Long-term debt (note 7)	\$ 5,583,353	\$ 4,922,716
Bank advances, represented by outstanding cheques	11,299	—
Accounts payable and accrued liabilities	845,287	733,514
Unearned revenue	97,238	91,257
Deferred income taxes	127,261	221,388
	6,664,438	5,968,875
Shareholders' equity (deficiency):		
Capital stock (note 8)	567,090	566,573
Contributed surplus	368,200	366,047
Reorganization surplus	6,235	6,235
Deficit	(1,458,948)	(893,415)
	(517,423)	45,440
	<u>\$ 6,147,015</u>	<u>\$ 6,014,315</u>
Commitments (note 15)		
Contingent liabilities (note 16)		
Canadian and United States accounting policy differences (note 17)		

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Ted Rogers
Director



Gar Emerson
Director

CONSOLIDATED STATEMENTS OF DEFICIT

(IN THOUSANDS OF DOLLARS)	YEAR ENDED	
	DECEMBER 31, 1997	DECEMBER 31, 1996
Deficit, beginning of year	\$ 893,415	\$ 587,650
Loss for the year	539,455	278,370
Dividends on preferred shares	26,078	27,395
Deficit, end of year	<u>\$ 1,458,948</u>	<u>\$ 893,415</u>

See accompanying notes to consolidated financial statements.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Rogers Communications Inc. as at December 31, 1997 and 1996 and the consolidated statements of income, deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1997 and 1996 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a consistent basis.

Generally accepted accounting principles in Canada differ in some respects from those applicable in the United States (note 17).

Toronto, Canada
January 29, 1998

KPMG



Chartered Accountants

1. SIGNIFICANT ACCOUNTING POLICIES

A. CONSOLIDATION

The consolidated financial statements include the accounts of Rogers Communications Inc. ("RCI") and its subsidiary companies (collectively the "Company").

Investments in associated companies and other business ventures over which the Company is able to exercise significant influence are accounted for by the equity method.

B. CAPITALIZATION POLICY

Fixed assets are recorded at purchase cost. During construction of new assets, direct costs plus a portion of overhead costs are capitalized. Repairs and maintenance expenditures are charged to operations.

C. DEPRECIATION

Fixed assets are depreciated annually over their estimated useful lives as follows:

ASSET	BASIS	RATE
Buildings	Diminishing balance	5%
Towers, head-ends and transmitters	Straight line	6 $\frac{2}{3}$ %
Distribution cable, subscriber drops and wireless network equipment	Straight line	6 $\frac{2}{3}$ % to 20%
Network radio channels	Straight line	12 $\frac{1}{2}$ %
Computer equipment and software	Straight line	25% and 33 $\frac{1}{3}$ %
Customer equipment	Straight line	20%
Leasehold improvements	Straight line over the term of the lease	
Other equipment	Mainly diminishing balance	20% to 33 $\frac{1}{3}$ %

Effective January 1, 1998, the Company revised the estimated useful lives of certain components of the wireless network (note 9(A)).

D. SUBSCRIBERS, LICENCES AND GOODWILL

The Company amortizes the cost of subscribers and licences related to cable system and wireless acquisitions using an increasing charge method over forty years at a discount rate of 4% per annum. Amortization of subscribers and licences for 1997 amounted to \$20,921,000 (1996 – \$21,445,000). Accumulated amortization of subscribers and licences amounted to \$93,234,000 at December 31, 1997 (1996 – \$72,313,000).

Goodwill is being amortized over periods of five to forty years on a straight line basis from the date of acquisition. During 1997, the Company wrote off goodwill amounting to \$21,100,000 related to its paging operations (note 9(A)). Amortization of goodwill for 1997 amounted to \$8,831,000 (1996 – \$7,739,000). Accumulated amortization of goodwill amounted to \$28,863,000 at December 31, 1997 (1996 – \$25,304,000).

The Company annually reviews the carrying value of subscribers, licences and goodwill to determine if an impairment has occurred. The Company measures the potential impairment of these intangible assets by comparing the carrying value to the undiscounted value of expected future operating income before depreciation and amortization, and depending on the nature of the asset, interest and income taxes. Based on its review, other than the write-off of goodwill related to its paging operations, the Company does not believe that an impairment of the carrying value of subscribers, licences and goodwill has occurred.

E. FOREIGN EXCHANGE

Long-term debt denominated in United States dollars is translated into Canadian dollars at the year end rate of exchange or at the hedge rate of exchange when cross-currency interest rate exchange agreements are in effect. Exchange gains or losses on translating this long-term debt are deferred and amortized on a straight line basis over the remaining life of the debt. All other exchange gains or losses are included in income.

F. DEFERRED CHARGES

The costs of obtaining bank and other debt financing are deferred and amortized on a straight line basis over the effective life of the debt to which they relate.

During the development and pre-operating phases of new businesses, incremental costs are deferred and amortized on a straight line basis over periods up to five years.

G. UNEARNED REVENUE

Unearned revenue includes subscriber deposits and amounts received from subscribers related to services and subscriptions to be provided in future years.

H. INCOME TAXES

The Company records income tax expense on the tax allocation basis. Tax deferred as a result of claiming, for income tax purposes, amounts different from those recorded in the accounts are charged against current operations and recorded in the consolidated balance sheet as deferred income taxes. Timing differences consist principally of tax depreciation in excess of book depreciation and the capitalization of certain costs for accounting purposes which costs are expensed for tax purposes.

I. PENSIONS

Pension expense consists of the aggregate of: (a) the actuarially computed costs of pension benefits provided in respect of current year's service; (b) imputed interest on any funding excess; and (c) the amortization over the expected average remaining service life of employees of: (i) the funding excess existing at the beginning of the year; and (ii) any actuarial experience gain or loss during the year.

J. FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments to manage risks from fluctuations in exchange rates and interest rates. These instruments include cross-currency interest rate exchange agreements, interest exchange agreements and foreign exchange option agreements. All such instruments are only used for risk management purposes and are designated as hedges of specific debt instruments. The Company accounts for these financial instruments as hedges and as a result the carrying values of the financial instruments are not adjusted to reflect their current market value. The net receipts or payments arising from financial instruments relating to interest are recognized in interest expense on an accrual basis. Gains or losses arising from the translation of U.S. dollar denominated debt under the cross-currency interest rate exchange agreements are deferred and amortized on a straight line basis over the remaining life of the cross-currency interest rate exchange agreements.

K. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. ACQUISITIONS AND DIVESTITURES

The Company has completed certain acquisitions and divestitures. The acquisitions were accounted for by the purchase method.

A. ACQUISITIONS

i. 1997

During 1997, the Company purchased several magazines and periodicals for \$8,305,000, certain home security services for \$4,213,000 and a video store for \$555,000.

Also in 1997, Rogers Cantel Mobile Communications Inc. ("Cantel"), a subsidiary public company, completed the purchase for cancellation of 1,000,000 of its Class B Restricted Voting Shares at a total cost of \$25,662,000.

ii. 1996

During 1996, the Company purchased two cable systems in British Columbia from Shaw Communications Inc. ("Shaw") for \$120,524,000, a small cable system in British Columbia from Pioneer Cablevision Limited for \$3,561,000, 16 video stores for \$7,937,000 and certain home security services for \$2,555,000.

Details of the net assets acquired at fair values are as follows:

(IN THOUSANDS OF DOLLARS)	1997	1996
Fixed assets	\$ 264	\$ 33,757
Subscribers and licences	25,662	94,411
Goodwill	12,214	7,900
Other assets	2,330	3,165
	40,470	139,233
Accounts payable and accrued liabilities	1,735	4,656
Cash consideration given	\$ 38,735	\$ 134,577

B. DIVESTITURES

i. 1997

In 1997, the Company sold its hotel pay television business, its satellite uplink service and its cable advertising businesses in Vancouver, London, Kitchener and Toronto. The Company received total proceeds of \$19,159,000 from these sales and recorded a gain on sale of \$7,197,000 before income taxes.

ii. 1996

During 1996, the Company sold certain cable systems serving approximately 307,000 basic cable subscribers in Ontario. Proceeds received on the sales were approximately \$368,800,000, comprised of cash of \$319,000,000, notes receivable with a discounted carrying value of \$32,522,000 and shares of Cogeco Cable Inc. ("Cogeco") with a value of \$17,278,000. The Company recorded a gain on the sale of these cable systems of \$36,444,000 before income taxes.

Also in 1996, the Company sold its 63% interest in The Toronto Sun Publishing Corporation (the "Toronto Sun") for net proceeds of \$258,905,000, resulting in a loss on sale of \$23,885,000. In addition, the Company sold its 89% interest in Transkrit Corporation ("Transkrit") for net proceeds of \$102,697,000. As the Toronto Sun and Transkrit represented identifiable business segments of the Company's operations, the results of operations and changes in financial position have been disclosed separately in 1996 as discontinued operations.

The loss from discontinued operations is comprised of the following:

(IN THOUSANDS OF DOLLARS)		1996
Revenue	\$	334,107
Income before the undernoted items		9,600
Income tax expense		(4,292)
Minority interest		(2,181)
Income from discontinued operations to the date of sale		3,127
Loss on sale of discontinued operations		(23,885)
Loss from discontinued operations	\$	(20,758)

Funds provided by discontinued operations are as follows:

(IN THOUSANDS OF DOLLARS)		1996
Funds provided by (used for):		
Operations:		
Net income to the date of sale	\$	3,127
Items in net income not affecting funds		26,594
Changes in working capital		(2,951)
		26,770
Financing:		
Repayment of long-term debt		(2,782)
Investments:		
Sales of businesses		13,079
Additions to fixed assets		(11,432)
Other		5,273
		6,920
Funds provided by discontinued operations	\$	30,908

3. FIXED ASSETS

Details of fixed assets, at cost, are as follows:

(IN THOUSANDS OF DOLLARS)	1997	1996
Land and buildings	\$ 154,350	\$ 125,586
Towers, head-ends and transmitters	285,961	237,429
Distribution cable and subscriber drops	1,801,227	1,614,923
Wireless network equipment	1,366,177	1,138,517
Network radio channels	898,396	720,111
Computer equipment and software	410,125	355,690
Customer equipment	165,735	148,124
Leasehold improvements	111,377	102,327
Other equipment	259,318	284,351
	5,452,666	4,727,058
Less accumulated depreciation and amortization	2,153,672	1,856,809
	<u>\$ 3,298,994</u>	<u>\$ 2,870,249</u>

The Company has a significant ongoing capital expenditure program for the expansion and improvement of its networks. The Company estimates that its capital expenditure program for 1998 will amount to approximately \$650,000,000.

4. INVESTMENTS

(IN THOUSANDS OF DOLLARS)	1997	1996
A. General Cable T.V. Limited ("General"), at cost	\$ 300,000	\$ 300,000
B. Investments, at equity:		
Astral Communications Inc.	33,952	32,613
Canadian Satellite Communications Inc.	19,285	19,849
Other	11,594	10,129
C. Investments in Cogeco, at cost	32,914	49,800
D. Investment in At Home Corporation ("At Home"), at cost	20,965	—
E. Other, at cost	31,058	16,661
	<u>\$ 449,768</u>	<u>\$ 429,052</u>

Further details of these investments are as follows:

A. General is controlled by the controlling shareholder of the Company. The Company holds four convertible demand promissory notes of General (the "General Notes"). Two of the notes, with an aggregate principal amount of \$170,000,000, bear interest at the bank prime rate, payable monthly. A further note, in the amount of \$96,249,000, bears interest at a rate equal to 57.3066% of the bank prime rate plus 1.7192%, payable monthly. The remaining note, in the amount of \$33,751,000, bears interest at a rate equal to 91.6905% of the sum of the bank prime rate plus 0.5%, payable monthly.

The General Notes, which aggregate \$300,000,000, are convertible into preferred shares of General and have the same aggregate redemption value as the Company's Series XVI, XVII and XXV Preferred Shares which are owned by an affiliated company of General (note 8). In 1997, the Company received interest of \$14,416,000 from General (1996 – \$13,879,000). These arrangements, which have the effect of transferring tax deductions for fair value, were reviewed and approved by an independent committee of the Board of Directors.

B. During 1996, the Company sold its investment in YTV Canada Inc. for cash of \$32,264,000. The Company recorded a gain on this sale of \$25,002,000 before income taxes.

C. As partial consideration for the sale of certain cable television systems during 1996 (note 2(B)(ii)), the Company received 1,919,789 Subordinated Voting Shares of Cogeco valued at \$17,278,000, representing 7.1% of the Subordinated Voting Shares of Cogeco. The Company also received a non-interest bearing note receivable from Cogeco with a face value of \$36,476,000 which was discounted by the Company for accounting purposes to a carrying value of \$32,522,000. The Company received the first payment of \$18,328,000 in 1997, with the balance due in November 1998.

D. In 1997, the Company invested \$20,965,000 in At Home in exchange for 1,500,000 shares of Series A Common Stock and warrants to acquire an additional 1,000,000 shares of Series A Common Stock of At Home at an exercise price of US\$10.00 per share, exercisable until June 10, 2004. At Home, together with the Company and other Canadian and U.S. cable operators, delivers high-speed Internet services over At Home's distribution network and the cable companies' local networks.

Included in investments at December 31, 1997 are marketable securities with a carrying value of approximately \$95,748,000 (1996 – \$76,210,000) and a market value of approximately \$157,899,000 (1996 – \$77,639,000).

5. DEFERRED CHARGES

(IN THOUSANDS OF DOLLARS)	1997	1996
Financing costs	\$ 113,107	\$ 99,048
Subscriber telephone costs	—	95,796
Foreign exchange loss	162,243	91,666
CRTC commitments	13,264	19,988
Other costs	4,805	25,677
	<u>\$ 293,419</u>	<u>\$ 332,175</u>

A. Amortization of deferred charges for 1997 amounted to \$125,073,000 (1996 – \$96,482,000). Of this amount, \$86,601,000 (1996 – \$63,718,000) relates to the amortization of subscriber telephone costs which has been included in operating expenses. Accumulated amortization as at December 31, 1997, amounted to \$95,340,000 (1996 – \$201,579,000).

B. In connection with the early repayment of certain long-term debt, the Company recorded losses in 1997 of \$70,289,000 (1996 – \$95,966,000), including the write-off of deferred foreign exchange costs of \$37,318,000 (1996 – \$42,102,000) and deferred financing costs of \$7,902,000 (1996 – \$8,688,000).

C. In 1997, the Company wrote off subscriber telephone costs and other deferred costs totalling \$172,155,000 (1996 – \$16,723,000) (note 9).

6. OTHER ASSETS

(IN THOUSANDS OF DOLLARS)	1997	1996
Amounts receivable from employees under share purchase plans, including \$1,046 from officers (1996 – \$3,964)	\$ 6,110	\$ 6,852
Miscellaneous mortgages and loans receivable, including \$2,620 from officers (1996 – \$977)	10,701	6,205
Inventories	31,334	47,664
Video cassette inventory	38,077	34,807
Prepaid expenses	30,062	28,024
Brand licence cost	35,070	37,590
Acquired program rights	8,149	5,247
Pension benefits	18,353	18,178
Other assets	13,758	15,078
	<u>\$ 191,614</u>	<u>\$ 199,645</u>

In 1996, the Company through its subsidiary Cantel entered into a brand licence agreement with AT&T Canada Enterprises Inc. ("AT&T") providing Cantel with, among other things, the right to use the AT&T brand names. As consideration for entering into this agreement, Cantel issued warrants with a value of \$32,500,000 to AT&T which entitle AT&T to acquire 1,043,171 Class B Restricted Voting Shares of Cantel. As a result, the Company recorded a gain in the amount of \$27,605,000 on the issue of warrants by Cantel.

The costs relating to the brand licence agreement amounting to \$37,800,000 have been deferred and are being amortized on a straight line basis over the fifteen-year term of the brand licence agreement. In 1997, the amortization of the brand licence cost was \$2,520,000 (1996 – \$210,000). Accumulated amortization as at December 31, 1997, amounted to \$2,730,000 (1996 – \$210,000). The brand licence agreement also requires Cantel to make certain annual royalty payments over the term of the agreement.

7. LONG-TERM DEBT

(IN THOUSANDS OF DOLLARS)	INTEREST RATE	1997	1996
a. Corporate:			
Convertible Debentures, due 2005	5¾%	\$ 245,849	\$ 228,537
Senior Notes, due 2006	9½%	142,910	136,960
Senior Notes, due 2006	10½%	75,000	75,000
Senior Notes, due 2007	8¾%	459,326	—
Senior Notes, due 2007	8¾%	165,000	—
Senior Debentures	10¾%	—	323,797
Liquid Yield Option Notes, due 2013	5½%	192,906	175,110
Convertible Subordinated Debentures, due 1999	7½%	199,993	199,993
b. Wireless:			
Bank loan	Floating	75,000	172,000
Senior Secured Notes, due 2006	10½%	160,000	160,000
Senior Secured Notes, due 2007	8.30%	393,003	—
Senior Secured Debentures, due 2008	9¾%	644,975	637,538
Senior Secured Debentures, due 2016	9¾%	250,093	239,680
Senior Subordinated Notes, due 2007	8.80%	307,257	—
Senior Subordinated Guaranteed Notes	11½%	—	273,920
c. Cablesystems:			
Bank loan	Floating	68,000	—
Senior Secured Second Priority Notes, due 2002	9¾%	314,802	310,340
Senior Secured Second Priority Notes, due 2005	10%	637,406	630,470
Senior Secured Second Priority Debentures, due 2007	10%	214,365	205,440
Senior Secured Second Priority Debentures, due 2012	10½%	285,820	273,920
Senior Secured Second Priority Debentures, due 2014	9.65%	300,000	300,000
Senior Subordinated Notes due 2000	11.09%	235,879	294,854
Senior Subordinated Debentures, due 2015	11%	178,637	171,200
d. Media:			
Bank loan	Floating	—	74,000
e. Other	Various	37,132	39,957
		<u>\$ 5,583,353</u>	<u>\$ 4,922,716</u>

Further details of long-term debt are as follows:

A. CORPORATE

i. *Convertible Debentures, Due 2005*

The Company's US\$225,000,000 Convertible Debentures mature on November 26, 2005. A portion of the interest equal to approximately 2.95% per annum on the issue price (or 2% per annum on the stated amount at maturity) is paid in cash semi-annually while the balance of the interest will accrue so long as these convertible debentures remain outstanding. Each convertible debenture has a face value of US\$1,000 and is convertible, at the option of the holder at any time, on or prior to maturity, into 34.368 Class B Non-Voting Shares. The conversion rate equates to an initial conversion price of \$26.10 per share. These convertible debentures are redeemable in cash, at the option of the Company, on or after November 26, 1998.

ii. *Senior Notes, Due 2006*

The Company's US\$100,000,000 Senior Notes mature on January 15, 2006. These senior notes are redeemable at the option of the Company, in whole or in part, at any time on or after January 15, 2001, at 104.563% of the principal amount, declining ratably to 100% of the principal amount on or after January 15, 2004. Interest is paid semi-annually.

iii. *Senior Notes, Due 2006*

The Company's \$75,000,000 Senior Notes mature on February 14, 2006. Interest is paid semi-annually.

iv. *Senior Notes, Due 2007*

The Company's US\$330,000,000 Senior Notes mature on July 15, 2007. These senior notes are redeemable at the option of the Company, in whole or in part, at any time on or after July 15, 2002, at 104.438% of the principal amount, declining ratably to 100% of the principal amount on or after July 15, 2005, plus, in each case, interest accrued to the redemption date. Interest is paid semi-annually.

v. *Senior Notes, Due 2007*

The Company's \$165,000,000 Senior Notes mature on July 15, 2007. These senior notes are redeemable at the option of the Company, in whole or in part, at any time on or after July 15, 2002 at 104.375% of the principal amount, declining ratably to 100% of the principal amount on or after July 15, 2005, plus interest accrued to the redemption date. Interest is paid semi-annually.

vi. *Senior Debentures*

The Company's US\$250,000,000 Senior Debentures were repaid in 1997. As a result, the Company paid a premium on redemption of \$16,002,000 and wrote off deferred financing costs of \$5,148,000 and deferred foreign exchange of \$18,894,000 relating to these senior debentures, resulting in a net loss on repayment of \$40,044,000 before income taxes.

vii. Liquid Yield Option Notes, Due 2013

The Company’s US\$311,000,000 Liquid Yield Option Notes (“LYONs”) mature on May 20, 2013. The LYONs are zero coupon convertible debentures that have a yield to maturity of 5½% per annum, compounded semi-annually. Each LYON has a face value of US\$1,000 and is convertible, at the option of the holder, at any time prior to maturity into 20.675 Class B Non-Voting Shares, reflecting an initial conversion price of \$20.80 per share.

The LYONs are required to be purchased by the Company, at the option of the holder, on June 21, 1998, May 20, 2003, and May 20, 2008, for a purchase price per LYON of US\$445.28, US\$581.33 and US\$762.51, respectively, which at the option of the Company can be satisfied in either cash or Class B Non-Voting Shares. The LYONs are redeemable in cash, at the option of the Company, on or after May 20, 1998. The Company currently intends to extinguish this obligation in 1998.

Each of the Company’s senior notes and debentures described above are senior unsecured general obligations of the Company ranking equally with each other.

viii. Convertible Subordinated Debentures, Due 1999

The Company’s \$199,993,000 Convertible Subordinated Debentures, which mature September 1, 1999, are unsecured general obligations of the Company and are convertible at the option of the holder at any time prior to August 31, 1999 into Class B Non-Voting Shares of the Company at a conversion price of \$20.71 per Class B Non-Voting share. These debentures are redeemable in cash at the option of the Company at any time. Interest is paid semi-annually.

B. WIRELESS

i. Bank Loan

During 1997, Cantel amended and increased its credit facility to \$800,000,000, of which \$75,000,000 was outstanding at December 31, 1997 (1996 – \$172,000,000).

Under the credit facility, Cantel may borrow under various rates, including the bank prime rate to the bank prime rate plus ¾% per annum, the bankers’ acceptance rate plus ¾% to 1½% per annum and the London Interbank Offered Rate (“LIBOR”) plus ¾% to 1½% per annum. Access to the credit facility is based on certain maintenance tests, the most restrictive of which relates to a debt to operating cash flow ratio.

This credit facility is available on a fully revolving basis until the first date specified below at which time the facility becomes a revolving/reducing facility and the aggregate amount of credit available under this credit facility will be reduced as follows:

DATE OF REDUCTION	REDUCTION AT EACH DATE (IN THOUSANDS OF DOLLARS)
On January 2:	
2001	\$ 120,000
2002	160,000
2003	160,000
2004	160,000
2005	200,000

The credit facility requires that any additional senior debt (other than the bank loan described above) that is denominated in a foreign currency be hedged against foreign exchange fluctuations on a minimum of 50% of such additional senior borrowings in excess of the Canadian equivalent of US\$25,000,000.

Borrowings under the credit facility are secured by the pledge of a senior bond issued under a deed of trust which is secured by substantially all the assets of Cantel and certain of its subsidiaries subject to certain exceptions and prior liens.

ii. Senior Secured Notes, Due 2006

Cantel's \$160,000,000 Senior Secured Notes mature on June 1, 2006. These notes are redeemable at Cantel's option, in whole or in part, at any time subject to a certain prepayment premium.

iii. Senior Secured Notes, Due 2007

Cantel's US\$275,000,000 Senior Secured Notes mature on October 1, 2007. These notes are redeemable at Cantel's option, in whole or in part, at any time on or after October 1, 2002, at 104.150% of the principal amount, declining ratably to 100% on or after October 1, 2005, plus in each case, interest accrued to the redemption date.

iv. Senior Secured Debentures, Due 2008

Cantel's US\$10,000,000 Senior Secured Debentures mature on June 1, 2008. These debentures are redeemable at Cantel's option, in whole or in part, at any time on or after June 1, 2003, at 104.688% of the principal amount, declining ratably to 100% of the principal amount on or after June 1, 2006, plus, in each case, interest accrued to the redemption date.

v. Senior Secured Debentures, Due 2016

Cantel's US\$175,000,000 Senior Secured Debentures mature on June 1, 2016. These debentures are redeemable at Cantel's option, in whole or in part, at any time subject to a certain prepayment premium.

Each of Cantel's senior secured notes and debentures described above is secured by the pledge of a senior bond which is secured by the same security as the security for the bank credit facility described in note 7(b)(i) above and ranks equally with the bank credit facility.

vi. Senior Secured Guaranteed Notes

Cantel's US\$460,000,000 Senior Secured Guaranteed Notes were repaid in 1996. As a result, Cantel paid a premium on redemption of \$30,529,000 and wrote off deferred financing costs of \$6,894,000 and deferred foreign exchange of \$27,141,000 relating to these senior notes, resulting in a net loss on repayment of \$64,564,000 in 1996.

vii. Senior Subordinated Notes, Due 2007

Cantel's US\$215,000,000 Senior Subordinated Notes mature on October 1, 2007, and are redeemable at Cantel's option, in whole or in part, at any time on or after October 1, 2002, at 104.400% of the principal amount, declining ratably to 100% on or after October 1, 2005, plus, in each case, interest accrued to the redemption date. These subordinated notes are subordinated to all existing and future senior secured obligations of Cantel (including the bank loan, the senior notes and senior debentures) and are not secured by the pledge of a senior bond.

viii. Senior Subordinated Guaranteed Notes

Cantel's US\$200,000,000 Senior Subordinated Guaranteed Notes were repaid in 1997. As a result, Cantel paid a premium on redemption of \$9,067,000 and wrote off deferred financing costs of \$2,754,000 and deferred foreign exchange of \$18,424,000 relating to these subordinated notes, resulting in a net loss on repayment of \$30,245,000.

Interest is paid semi-annually on all of Cantel's senior secured notes and debentures and senior subordinated notes.

C. CABLESYSTEMS

i. Bank Loan

At December 31, 1997, Rogers Cablesystems Limited ("Cablesystems") had \$68,000,000 outstanding (1996 – nil) under its amended and restated loan agreement providing for two separate credit facilities: (A) up to \$600,000,000 senior secured revolving credit facility (the "Tranche A Credit Facility") and (B) up to \$5,000,000 senior secured revolving credit facility (the "Tranche B Credit Facility" and, together with the Tranche A Credit Facility, the "Bank Facilities").

The Bank Facilities require, among other things, that Cablesystems satisfy certain financial covenants, including the maintenance of certain financial ratios. The interest rates charged on the Bank Facilities range from nil to 2¼% per annum over the bank prime rate or base rate or ¾% to 3% per annum over the bankers' acceptance rate or LIBOR.

The Bank Facilities are secured by the pledge of a senior bond issued under a deed of trust which is secured by substantially all of the assets of Cablesystems and the majority of Cablesystems' wholly-owned subsidiary companies, subject to certain exceptions and prior liens. In addition, under the terms of an inter-creditor agreement, the proceeds of any enforcement of the security under the deed of trust will be applied first to repay any obligations outstanding under the Tranche A Credit Facility. Additional proceeds will be applied pro rata to repay all other obligations of Cablesystems secured by senior bonds, including the Tranche B Credit Facility.

In December 1997, Cablesystems entered into an agreement amending the Bank Facilities which, among other things, permitted the transfer of Cablesystems' Rogers Network Services division to a wholly owned subsidiary of RCI, Rogers Telecom Inc. ("Telecom"). In conjunction with the execution of this amending agreement, RCI has agreed to provide a guarantee of the Bank Facilities, with recourse limited to the pledge of shares of Cantel or other marketable securities having a value of at least \$200,000,000.

The Bank Facilities are available on a fully revolving basis until January 1, 2000 at which time each will be converted to a reducing/revolving facility and the aggregate amount of credit available under the Bank Facilities will be reduced as follows:

DATE OF REDUCTION	REDUCTION AT EACH DATE (IN THOUSANDS OF DOLLARS)
On January 1:	
2000	\$ 29,645
2001	60,500
2002	60,500
2003	121,605
2004	151,250
2005	181,500

ii. Senior Secured Second Priority Notes, Due 2002

Cablesystems' US\$250,000,000 Senior Secured Second Priority Notes mature on August 1, 2002.

iii. Senior Secured Second Priority Notes, Due 2005

Cablesystems' US\$450,000,000 Senior Secured Second Priority Notes mature on March 15, 2005.

iv. Senior Secured Second Priority Debentures, Due 2007

Cablesystems' US\$150,000,000 Senior Secured Second Priority Debentures mature on December 1, 2007. The debentures are redeemable at the option of Cablesystems, in whole or in part, at any time on or after December 1, 2002, at 105% of the principal amount, declining ratably to 100% of the principal amount on or after December 31, 2005, plus, in each case, interest accrued to the redemption date.

v. Senior Secured Second Priority Debentures, Due 2012

Cablesystems' US\$200,000,000 Senior Secured Second Priority Debentures mature on September 1, 2012. The debentures are redeemable at the option of Cablesystems, in whole or in part, at any time on or after September 1, 2002, at 104% of the principal amount, declining ratably to 100% of the principal amount on or after September 1, 2006, plus, in each case, interest accrued to the redemption date.

vi. Senior Secured Second Priority Debentures, Due 2014

Cablesystems' \$300,000,000 Senior Secured Second Priority Debentures mature on January 15, 2014. The debentures are redeemable at the option of Cablesystems, in whole or in part, at any time on or after January 15, 2004, at 104.825% of the principal amount, declining ratably to 100% of the principal amount on or after January 15, 2008, plus, in each case, interest accrued to the redemption date.

vii. Senior Secured Notes

Cablesystems' Senior Secured Notes which consisted of US\$74,000,000 of 9.28% Series A Senior Secured Notes and US\$81,000,000 of 9.60% Series B Senior Secured Notes were repaid in 1996. As a result, Cablesystems paid \$14,647,000 representing a prepayment premium net of a gain from unwinding certain related cross-currency interest rate exchange agreements and wrote off deferred financing costs of \$1,794,000 and deferred foreign exchange of \$14,961,000 relating to these senior secured notes, resulting in a net loss on repayment of \$31,402,000 in 1996.

Each of Cablesystems' senior secured notes and debentures described above is secured by the pledge of a senior bond which is secured by the same security as the security for Cablesystems' Bank Facilities described in note 7(c)(i) above and rank equally in regard to the proceeds of any enforcement of security with Cablesystems' Tranche B Credit Facility.

viii. Senior Subordinated Notes, Due 2000

Cablesystems' US\$200,000,000 (1996 – US\$250,000,000) Senior Subordinated Notes mature on June 1, 2000. Cablesystems repaid US\$50,000,000 of the notes during 1997 and is required to repay US\$50,000,000 of the principal amount of the notes on each of June 1, 1998 and 1999, with the balance due June 1, 2000. In addition, Cablesystems has the option to prepay the notes in whole or in part, at any time, subject to a certain prepayment premium.

ix. Senior Subordinated Debentures, Due 2015

Cablesystems' US\$125,000,000 Senior Subordinated Debentures mature on December 1, 2015. The subordinated debentures are redeemable at the option of Cablesystems, in whole or in part, at any time on or after December 1, 2005, at 105.5% of the principal amount, declining ratably to 100% of the principal amount on or after December 1, 2009, plus, in each case, interest accrued to the redemption date.

Cablesystems' subordinated notes and debentures described above are subordinated in right of payment to all existing and future senior indebtedness of Cablesystems (including the Bank Facility and the senior secured notes and debentures) and are not secured by the pledge of a senior bond.

Interest is paid semi-annually on all of Cablesystems' senior secured notes and debentures and senior subordinated notes and debentures.

D. MEDIA

Bank Loan

At December 31, 1997, Rogers Multi-Media Inc. ("Media") had no amounts outstanding (1996 -- \$74,000,000) under its \$175,000,000 revolving bank credit facility.

The interest rates charged on this credit facility range from the bank prime rate to the bank prime rate plus 1% per annum and the bankers' acceptance rate plus 7/8% per annum to 17/8% per annum. The credit facility requires, among other things, the maintenance of certain financial covenants.

The credit facility is secured by floating charge debentures over most of the assets of Media and certain of its subsidiaries, subject to certain exceptions.

In February 1998, Media entered into an agreement amending the credit facility, which, among other things, extended the term of the credit facility by two years. As amended, the credit facility is available on a fully revolving basis and will be reduced as follows:

DATE OF REDUCTION	REDUCTION AT EACH DATE (IN THOUSANDS OF DOLLARS)
On January 1:	
2001	\$ 26,250
2002	35,000
2003	35,000
2004	35,000
2005	43,750

E. INTEREST EXCHANGE AGREEMENTS

i. The Company has entered into a number of cross-currency interest rate exchange agreements in order to reduce the Company's exposure to changes in the exchange rate of the U.S. dollar as compared to the Canadian dollar. Total U.S. dollar denominated long-term debt at December 31, 1997, amounted to US\$3,289,000,000, of which US\$1,143,437,000 or 34.8% is hedged through cross-currency interest rate exchange agreements. The effect of these agreements is to convert the obligation to service U.S. dollar denominated debt in the amount of US\$1,143,437,000, into Canadian dollar denominated debt at an average exchange rate of 1.2592 Canadian dollars to US\$1.00.

During 1997, the Company also began to utilize short-term foreign exchange options to augment its hedged position with respect to foreign exchange fluctuations. At December 31, 1997, the Company has hedged US\$100,000,000 by selling a call option at an exchange rate of 1.3750 Canadian dollars to US\$1.00 and simultaneously purchasing a put option at an exchange rate of 1.4800 Canadian dollars to US\$1.00. These foreign exchange options expire March 31, 1998.

ii. The cross-currency interest rate exchange agreements have the effect of converting the interest rate on US\$810,000,000 of long-term debt from an average fixed interest rate of 9.82% per annum to a weighted average floating interest rate equal to the bankers' acceptance rate plus 2.90% per annum, which totalled 7.10% at December 31, 1997. While this has the effect of converting \$969,014,000 of fixed rate debt to floating rate debt, the Company has entered into a number of interest exchange agreements ranging in reference interest rates of 10.34% to 12.39% per annum and in maturity dates to August 2001. These interest exchange agreements have the effect of converting CDN\$460,000,000 of floating rate obligations of the Company to fixed interest rates based on the range specified above. For the remaining US\$333,437,000 of the cross-currency interest rate exchange agreements, the U.S. dollar fixed interest rate has been converted to a weighted average Canadian dollar fixed interest rate of 11.68% per annum. The total long-term debt at fixed interest rates at December 31, 1997, was \$4,928,600,000 or 88.3% of total long-term debt.

The Company's effective weighted average interest rate on all long-term debt as at December 31, 1997, including the effect of the interest exchange agreements and cross-currency interest rate exchange agreements, was 9.34% (1996 – 9.58%).

The obligations under US\$1,093,437,000 of the cross-currency interest rate exchange agreements and the interest exchange agreements are secured by substantially all of the assets of the respective subsidiary companies to which they relate and generally rank equally with the other secured indebtedness of such subsidiary companies.

F. PRINCIPAL REPAYMENTS

As at December 31, 1997, principal repayments due within each of the next five years on all long-term debt are as follows:

	(IN THOUSANDS OF DOLLARS)
1998	\$ 63,762
1999	263,399
2000	120,265
2001	4,630
2002	315,431
	767,487
Thereafter	4,815,866
	<u>\$ 5,583,353</u>

The provisions of the long-term debt agreements described above impose, in most instances, restrictions on the operations and activities of the companies governed by these agreements. Generally, the most significant of these restrictions are debt incurrence and maintenance tests, restrictions upon additional investments, sales of assets and payment of dividends. In addition, the repayment dates of certain debt agreements accelerate if there is a change in control of the respective companies.

8. CAPITAL STOCK

RIGHTS AND CONDITIONS

Preferred Shares

There are 400,000,000 authorized preferred shares without par value, issuable in series, with rights and terms of each series to be fixed by the Board of Directors prior to the issue of such series.

The Series XVI Preferred Shares are non-voting, are redeemable at \$10 per share at the option of the Company and carry the right to cumulative preferential dividends at a rate equal to the sum of 1½% plus 50% of the bank prime rate per annum applied to the redemption value.

The Series XVII Preferred Shares are non-voting, are redeemable at \$10 per share at the option of the Company and carry the right to cumulative preferential dividends at a rate equal to 80% of the sum of the bank prime rate plus ½% per annum applied to the redemption value.

The Series XX Preferred Shares are non-voting, are redeemable at \$20 per share after December 31, 1997, at the option of the Company, carry the right to cumulative preferential dividends at a rate equal to 5% per annum and are convertible into Class B Non-Voting Shares at \$24.75 per share. In addition, the Company must redeem the Series XX Preferred Shares on June 30, 2004, at \$20 per share in either cash or Class B Non-Voting Shares.

The Series XXIII Preferred Shares are non-voting, are redeemable at \$1,000 per share at the option of the Company and carry the right to cumulative preferential dividends at a rate equal to the bank prime rate plus 1¾% per annum applied to the redemption value.

The Series XXV Preferred Shares are non-voting, are redeemable at \$1,000 per share at the option of the Company and carry the right to cumulative preferential dividends at a rate equal to 87.25% of the bank prime rate per annum applied to the redemption value.

The Series XXVI Preferred Shares are non-voting, are redeemable at \$1,000 per share at the option of the Company and carry the right to cumulative preferential dividends at a rate of 11½% per annum.

The Series XXVII Preferred Shares are non-voting, are redeemable at \$1,000 per share at the option of the Company and carry the right to cumulative preferential dividends at a rate equal to the bank prime rate plus 1¾% per annum.

The Series XXVIII Preferred Shares were non-voting, cumulative and were redeemable at \$1,000 per share at the option of the Company. These shares were purchased for cancellation by the Company in 1997.

The Series XXIX Preferred Shares are non-voting, are redeemable at \$1,000 per share at the option of the Company and carry the right to cumulative dividends at a rate equal to the bank prime rate plus 1¾% per annum.

The Series XXIII, XXVI, XXVII, XXVIII and XXIX Preferred Shares are or were held by subsidiaries of the Company. The Series XVI, XVII, XX and XXV Preferred Shares are held by companies controlled by the controlling shareholder of the Company. The Company has agreed that, among other things, the Company may satisfy the redemption price for the Series XVI, XVII and XXV Preferred Shares by delivering promissory notes of General having an equivalent value to the preferred shares of the Company to be redeemed.

The Series B, C and E Convertible Preferred Shares are non-voting and are redeemable and retractable under certain conditions. All of these shares are convertible at the option of the holder up to the mandatory date of redemption into Class B Non-Voting Shares of the Company at a conversion rate equal to one Class B Non-Voting Share for each share to be converted. These shares are entitled to receive, ratably with holders of the Class B Non-Voting Shares, cash dividends per share in an amount equal to the cash dividends declared and paid per share on Class B Non-Voting Shares.

Common Shares

There are 200,000,000 authorized Class A Voting Shares without par value. The Class A Voting Shares may receive a dividend at an annual rate of up to \$0.05 per share only after the Class B Non-Voting Shares have been paid a dividend at an annual rate of \$0.05 per share. The Class A Voting Shares are convertible on a one-for-one basis into Class B Non-Voting Shares.

There are 1,400,000,000 authorized Class B Non-Voting Shares with a par value of \$1.62478 per share. The Class A Voting and Class B Non-Voting Shares will share equally in dividends after payment of a dividend of \$0.05 per share for each class.

Issued, at Stated Value

(IN THOUSANDS OF DOLLARS)		1997	1996
9,624,866	Series XVI Preferred Shares	\$ 96,249	\$ 96,249
3,375,134	Series XVII Preferred Shares	33,751	33,751
13,500,000	Series XX Preferred Shares	270,000	270,000
105,500	Series XXIII Preferred Shares	105,500	105,500
170,000	Series XXV Preferred Shares	170,000	170,000
253,500	Series XXVI Preferred Shares	253,500	253,500
150,000	Series XXVII Preferred Shares	150,000	150,000
—	Series XXVIII Preferred Shares (1996 – 300,000 shares)	—	300,000
30,000	Series XXIX Preferred Shares	30,000	—
313,674	Series B Convertible Preferred Shares (1996 – 400,436 shares)	3,952	5,046
13,098	Series C Convertible Preferred Shares (1996 – 51,369 shares)	168	658
234,570	Series E Convertible Preferred Shares (1996 – 291,095 shares)	4,011	4,978
56,240,494	Class A Voting Shares	72,320	72,320
232,638,978	Class B Non-Voting Shares (1996 – 232,304,196 shares) of which 110,340,660 are held by subsidiary companies	377,987	377,443
		1,567,438	1,839,445
Deduct:			
Amounts receivable from employees under certain share purchase plans, including \$2,243 from officers (1996 – \$2,594)		7,548	10,072
The cost of Class B Non-Voting Shares of the Company held by subsidiary companies		453,800	453,800
The Series XXIII, XXVI, XXVII, XXVIII and XXIX Preferred Shares of the Company held by subsidiary companies		539,000	809,000
		<u>\$ 567,090</u>	<u>\$ 566,573</u>

A. At December 31, 1997, there were options outstanding to employees and directors of the Company to purchase 10,073,088 Class B Non-Voting Shares at prices ranging from \$6.29 to \$19.375 per share. These options expire at varying dates from 2004 to 2007.

B. During 1997, the Company completed the following capital stock transactions:

- i.* 300,000 Series XXVIII Preferred Shares were purchased from a subsidiary company for cancellation for \$300,000,000;
- ii.* 30,000 Series XXIX Preferred Shares were issued to a subsidiary company for \$30,000,000;
- iii.* 247 Series B Convertible Preferred Shares were converted to 247 Class B Non-Voting shares with a value of \$3,000;
- iv.* 18,624 Series B, 4,035 Series C and 17,124 Series E Convertible Preferred Shares were redeemed for \$579,000;
- v.* 67,891 Series B, 34,236 Series C, and 39,401 Series E Convertible Preferred Shares held by trustees of the Company's share purchase plans and relating to former employees of the Company were cancelled. The capital stock account has been reduced by \$855,000, \$439,000 and \$674,000, respectively;
- vi.* 334,535 Class B Non-Voting Shares were issued to employees pursuant to Employee Share Purchase Plans for cash of \$2,693,000; and

As a result of the above transactions, \$2,153,000 of the issued amounts related to the Class B Non-Voting Shares was recorded in contributed surplus.

C. During 1996, the Company completed the following capital stock transactions:

- i.* 90 Series XV Preferred Shares were purchased for cancellation for \$90,000,000;
- ii.* 505,000 Series XXII Preferred Shares were purchased from subsidiary companies for cancellation for \$505,000,000;
- iii.* 60,000 Series XXIII Preferred Shares were issued to a subsidiary company for \$60,000,000 and 125,000 shares were purchased from a subsidiary company for cancellation for \$125,000,000;
- iv.* 350,000 Series XXIV Preferred Shares were issued to subsidiary companies and were subsequently redeemed;
- v.* 170,000 Series XXV Preferred Shares were issued to a company controlled by the controlling shareholder of the Company for \$170,000,000;
- vi.* 253,500 Series XXVI Preferred Shares were issued to a subsidiary company for \$253,500,000;
- vii.* 150,000 Series XXVII Preferred Shares were issued to a subsidiary company for \$150,000,000;
- viii.* 300,000 Series XXVIII Preferred Shares were issued to a subsidiary company for \$300,000,000;
- ix.* 30,340 Series B, 2,266 Series C and 3,482 Series E Convertible Preferred Shares were converted to 36,088 Class B Non-Voting Shares with a value of \$471,000;

x. 13,279 Series B and 8,125 Series E Convertible Preferred Shares were redeemed for \$306,000;

xi. 59,928 Series B and 40,315 Series E Convertible Preferred Shares held by trustees of the Company's share purchase plans and relating to former employees of the Company were cancelled. The capital stock account has been reduced by \$755,000 and \$689,000, respectively; and

xii. 274,621 Class B Non-Voting Shares with a value of \$3,789,000 were issued in connection with the purchase of a video chain operation.

As a result of the above transactions, \$3,764,000 of the issued amounts related to the Class B Non-Voting Shares was recorded in contributed surplus.

D. The Articles of Continuance of the Company under the Company Act (British Columbia) impose restrictions on the transfer, voting and issue of the Class A Voting and Class B Non-Voting Shares in order to ensure that the Company remains qualified to hold or obtain licences required to carry on certain of its business undertakings in Canada.

The Company is authorized to refuse to register transfers of any shares of the Company to any person who is not a Canadian in order to ensure that the Company remains qualified to hold the licences referred to above.

9. PROVISION FOR RESTRUCTURING AND ASSET WRITEDOWNS

A. 1997

During the fourth quarter of 1997, the Company completed its annual review of the carrying value of certain assets and undertook a review of the cost structure of its Wireless operations, which resulted in a provision for restructuring and asset writedowns comprised of the following:

(IN THOUSANDS OF DOLLARS)	1997
i. Provision for restructuring of Wireless	\$ 101,500
ii. Writedown of carrying value of certain fixed assets, goodwill and deferred costs	144,115
iii. Write-off of deferred subscriber telephone costs	148,700
	<u>\$ 394,315</u>

Of this amount, \$335,315,000 relates to Wireless and \$59,000,000 relates to Cablesystems.

i. The Company has developed a restructuring plan to reduce the operating costs of its Wireless operations and has recorded a restructuring provision of \$101,500,000 which includes amounts principally for severance, lease cancellation costs and fixed asset write-offs related to facility closures. It is anticipated that this restructuring will be completed in 1998.

ii. As a result of the effect of increased competition in wireless communications and the reduced technological life of certain cable television and wireless communications fixed assets, the recoverability of the carrying value of certain assets from future cash flows is less certain than was previously the case. Therefore, the Company has written down the carrying value of certain fixed assets by \$84,015,000, the goodwill related to its paging operations by \$21,100,000 and other related deferred costs by \$39,000,000.

In addition, to respond to these changed conditions, the Company has reduced the estimated useful life for depreciation purposes of certain components of the wireless network from 15 years to 10 and 5 years. This change in estimated useful life will be applied prospectively commencing January 1, 1998.

iii. The Company has been deferring certain subscriber telephone costs and amortizing these costs over the term of the subscriber contracts. Recent trends in the wireless communications industry indicate that a combination of short-term and no-term subscriber contracts will become the prevalent arrangements with subscribers. This trend is expected to continue. As a result, the Company has determined that the recovery in future periods of these deferred subscriber telephone costs is less certain and therefore it is more appropriate to expense subscriber telephone costs in the period in which they are incurred. Accordingly, the Company has written off the balance of deferred subscriber telephone costs as at December 31, 1997, in the amount of \$148,700,000. The Company will expense the costs of subscriber telephones as incurred, effective January 1, 1998. This accounting is consistent with that generally followed in the wireless communications industry.

B. 1996

i. During 1996, Cablesystems implemented a plan to restructure and rationalize certain of its operations. Cablesystems recorded a provision of \$67,378,800 for this restructuring, which includes amounts principally for severance costs and the rationalization of real estate, facilities, fleet management and community programming. Cablesystems estimates that these initiatives will be completed in 1998. At December 31, 1997, the remaining provision for restructuring amounted to \$35,075,000, which primarily relates to severance costs.

ii. In 1996, Wireless wrote down first generation digital telephones by \$16,723,000 to their net realizable value and provided \$3,600,000 for exit costs related to the closure of corporate store operations.

10. INCOME TAXES

Total income tax expense varies from the amounts that would be computed by applying the effective income tax rate to the loss before income taxes and discontinued operations for the following reasons:

(IN THOUSANDS OF DOLLARS)	1997	1996
Effective income tax rate	44.5%	44.5%
Effective income tax recovery on the loss before income taxes and discontinued operations	\$ (275,907)	\$ (134,408)
Increase (decrease) results from:		
Effect of losses of subsidiaries, the tax effect of which has not been recorded	146,722	15,884
Utilization of losses carried forward not previously recorded	(7,395)	(16,059)
Large corporations tax	8,924	8,962
Non-deductible depreciation and amortization	21,345	22,034
Non-deductible long-term debt repayment costs	16,533	14,504
Asset writedowns not recognized for tax purposes	9,284	—
Assets disposed of on sale of cable television systems not recognized for tax purposes	—	41,246
Other items	(66)	3,409
Actual income tax	\$ (80,560)	\$ (44,428)

As at December 31, 1997, the Company has approximately the following amounts available to reduce future years' income for income tax purposes, the tax effect of which has not been recorded in the accounts:

(IN THOUSANDS OF DOLLARS)

Income tax losses expiring in the year ending December 31:	
1998	\$ 75,600
1999	152,500
2000	24,200
2001	113,200
2002	103,500
2003	20,500
2004	201,800
	691,300
Plus depreciation and other expenditures claimed for accounting purposes in excess of amounts recorded for income tax	126,300
	<u>\$ 817,600</u>

In addition to the above, the Company has approximately \$680,000,000 of capital losses available to reduce future years' capital gains. These tax losses have an indefinite carryforward period. The tax effect of these losses has not been recorded in the accounts.

11. LOSS PER SHARE

Loss per share amounts have been calculated based on the weighted average number of Class A Voting and Class B Non-Voting Shares outstanding during the year after giving effect to the ownership of the Company's Class B Non-Voting Shares by subsidiary companies and after deducting dividends on the preferred shares.

12. PENSIONS

The Company maintains both contributory and non-contributory defined benefit pension plans which cover most of its employees. The plans provide pensions based on years of service, years of contributions and annual earnings.

Actuarial estimates prepared as at December 31, 1997 and 1996 were based on projections of employees' compensation levels to the time of retirement and indicate the present value of the accrued pension benefits and the net assets available to provide for these benefits, at market, are as follows:

(IN THOUSANDS OF DOLLARS)	1997	1996
Pension fund assets	\$ 333,374	\$ 279,046
Accrued pension benefits	181,399	178,978

Pension expense for 1997 amounted to \$283,000 (1996 – \$907,000).

13. SEGMENTED INFORMATION

The Company provides wireless services, cable services, telecom services, and, through a media group, radio and television broadcasting and the publication of magazines and periodicals. All of these operations are substantially in Canada. Information by industry segment is as follows:

DECEMBER 31, 1997 (IN THOUSANDS OF DOLLARS)	WIRELESS	CABLE- SYSTEMS	TELECOM	MEDIA	CORPORATE ITEMS AND ELIMINATIONS	CONSOLIDATED TOTALS
Revenue	\$ 1,241,329	\$ 944,820	\$ 56,243	\$ 452,930	\$ —	\$ 2,695,322
Operating, general and administrative expenses	845,668	583,774	31,716	398,854	21,198	1,881,210
Operating income (loss) before the undernoted	395,661	361,046	24,527	54,076	(21,198)	814,112
Provision for restructuring and asset writedowns	335,315	59,000	—	—	—	394,315
Depreciation and amortization	264,593	203,027	19,896	14,681	10,451	512,648
Operating income (loss)	\$ (204,247)	\$ 99,019	\$ 4,631	\$ 39,395	\$ (31,649)	(92,851)
Interest expense						(482,534)
Other items, net						(44,630)
Income tax recovery						80,560
Loss for the year						\$ (539,455)
Capital expenditures	\$ 604,675	\$ 295,778	\$ 72,073	\$ 8,624	\$ (1,228)	\$ 979,922
Identifiable assets	\$ 2,523,240	\$ 2,587,302	\$ 222,638	\$ 372,088	\$ 441,747	\$ 6,147,015
DECEMBER 31, 1996 (IN THOUSANDS OF DOLLARS)	WIRELESS	CABLE- SYSTEMS	TELECOM	MEDIA	CORPORATE ITEMS AND ELIMINATIONS	CONSOLIDATED TOTALS
Revenue	\$ 1,102,851	\$ 953,278	\$ 38,993	\$ 187,125	\$ —	\$ 2,482,953
Operating, general and administrative expenses	751,709	630,544	24,892	352,766	18,748	1,778,659
Operating income (loss) before the undernoted	351,145	322,734	14,101	35,062	(18,748)	704,294
Provision for restructuring and asset writedowns	20,323	67,378	—	—	—	87,701
Depreciation and amortization	214,823	203,921	11,815	16,874	7,491	454,924
Operating income (loss)	\$ 115,999	\$ 51,435	\$ 2,286	\$ 18,188	\$ (26,239)	161,669
Interest expense						(470,825)
Other items, net						(13,642)
Income tax recovery						44,425
Loss for the year						\$ (278,300)
Capital expenditures	\$ 384,826	\$ 307,106	\$ 71,369	\$ 12,797	\$ —	\$ 915,098
Identifiable assets	\$ 2,298,668	\$ 2,763,096	\$ 161,649	\$ 341,296	\$ 449,596	\$ 6,114,655

14. FINANCIAL INSTRUMENTS

A. FAIR VALUES

The Company has determined the fair values of its financial instruments as follows:

i. Cash and Short-Term Deposits, Accounts Receivable, Amounts Receivable from Employees Under Share Purchase Plans, Miscellaneous Mortgages and Loans Receivable, Bank Advances and Accounts Payable and Accrued Liabilities

The carrying amounts in the consolidated balance sheets approximate fair value because of the short-term nature of these instruments.

ii. Portfolio Investments

The fair values of portfolio investments are determined by the closing market values for each of the investments (note 4).

iii. Other Investments

The fair values of other investments, including the investments in notes receivable from General and Cogeco approximate their carrying amounts.

iv. Long-Term Debt

The fair values of each of the Company's long-term debt instruments are based on the current trading values, where available, or where not available, with reference to similarly traded instruments with similar features.

v. Interest Exchange Agreements and Foreign Exchange Options

The fair values of the Company's interest exchange agreements, cross-currency interest rate exchange agreements and foreign exchange options are based on values quoted by the counterparties to the agreements.

The estimated fair values of the Company's long-term debt and related interest exchange agreements as at December 31, 1997, and 1996 are as follows:

(IN THOUSANDS OF DOLLARS)	1997		1996	
	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE
Long-term debt	\$ 5,777,598	\$ 5,997,370	\$ 5,067,733	\$ 5,192,450
Interest exchange agreements:				
Interest exchange agreements	—	52,776	—	88,387
Cross-currency interest rate exchange agreements	(194,245)	(208,115)	(145,017)	(118,015)
	\$ 5,583,353	\$ 5,842,031	\$ 4,922,716	\$ 5,162,822

The estimated fair value of the foreign exchange options at December 31, 1997, was \$270,000.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

B. OTHER DISCLOSURES

- i. The credit risk of the interest exchange agreements and cross-currency interest rate exchange agreements arises from the possibility that the counterparties to the agreements may default on their obligations under the agreements in instances where the agreements have positive fair value to the Company. The Company assesses the credit worthiness of the counterparties in order to minimize the risk of counterparty default under the agreements. All of the portfolio is held by financial institutions with a Standard & Poor's rating (or the equivalent) of AA.
- ii. The Company does not require collateral or other security to support the credit risk associated with the interest exchange agreements and cross-currency interest rate exchange agreements due to the Company's assessment of the credit worthiness of the counterparties.
- iii. The Company does not have significant concentrations of credit risk.

15. COMMITMENTS

The future minimum lease payments under operating leases for the rental of premises, distribution facilities, equipment and microwave towers at December 31, 1997, are as follows:

(IN THOUSANDS OF DOLLARS)	
Year ending December 31:	
1998	\$ 120,833
1999	111,031
2000	87,694
2001	78,716
2002	72,467
2003 and thereafter	85,323
	<u>\$ 556,064</u>

Rent expense for 1997 amounted to \$117,411,000 (1996 – \$98,250,000).

16. CONTINGENT LIABILITIES

Cantel has been named as a co-defendant in a \$62,000,000 lawsuit brought on by a distributor of electronic equipment, alleging that the defendants pursued predatory pricing policies in contravention of competition legislation. Management is defending this claim and believes it is without merit.

There exist certain other legal actions against the Company, none of which is expected to have a material adverse effect on the consolidated financial position of the Company.

17. CANADIAN AND UNITED STATES ACCOUNTING POLICY DIFFERENCES

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles ("GAAP") as applied in Canada. In the following respects, GAAP as applied in the United States differs from that applied in Canada.

If United States GAAP were employed, the loss in each year would be adjusted as follows:

(IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)	1997	1996
Loss for the year based on Canadian GAAP	\$ (539,455)	\$ (278,370)
Amortization of intangible assets (A)	(15,331)	(11,610)
Foreign exchange gain (loss) (B)	(107,895)	2,997
Gain on sale of cable systems (C)	(3,716)	(56,685)
Loss on early repayment of long-term debt (D)	37,318	42,102
Other	14,186	(9,981)
Income tax effect of adjustments	(2,045)	23,218
Loss for the year based on U.S. GAAP	<u>\$ (616,938)</u>	<u>\$ (288,329)</u>

Comprised of the following:

Loss before discontinued operations and extraordinary items	\$ (593,400)	\$ (224,996)
Income (loss) from discontinued operations	—	20,758
Extraordinary items (D)	(23,538)	(42,575)
	<u>\$ (616,938)</u>	<u>\$ (288,329)</u>

Basic loss per share based on U.S. GAAP:

Before discontinued operations and extraordinary items	\$ (3.48)	\$ (1.42)
Before extraordinary items	(3.48)	(1.53)
After extraordinary items	(3.61)	(1.77)

The cumulative effect of these adjustments on the consolidated shareholders' equity (deficiency) of the Company is as follows:

(IN THOUSANDS OF DOLLARS)	1997	1996
Shareholders' equity (deficiency) based on Canadian GAAP	\$ (517,423)	\$ 45,440
Amortization of intangible assets (A)	(158,462)	(143,131)
Foreign exchange loss (B)	(162,243)	(91,666)
Gain on sale of cable systems (C)	89,961	92,395
Capital stock (E)	(6,110)	(6,852)
Preferred shares (F)	(270,000)	(270,000)
Unrealized holding gain on investments (G)	42,919	—
Other	(16,931)	(27,790)
Shareholders' deficiency based on U.S. GAAP	<u>\$ (998,289)</u>	<u>\$ (401,604)</u>

The areas of material difference between Canadian and U.S. GAAP and their impact on the consolidated financial statements of the Company are described below:

A. AMORTIZATION OF INTANGIBLE ASSETS

Under Canadian GAAP, the Company is amortizing the cost of subscribers and licences using an increasing charge method over forty years. Under U.S. GAAP, the Company is amortizing the cost of subscribers over forty years on a straight line basis.

B. FOREIGN EXCHANGE

U.S. GAAP requires that gains and losses on foreign exchange resulting from the translation of long-term debt denominated in U.S. dollars be charged to income and expense when incurred. Canadian GAAP requires the amortization of foreign exchange gains or losses over the remaining life of the long-term debt.

C. GAIN ON SALE OF CABLE SYSTEMS

Under Canadian GAAP, the after-tax gain amounting to \$132,839,000 arising on the sale in 1994 of the Company's Calgary and Victoria cable systems was recorded in 1994 as a reduction of the carrying value of subscribers arising on the acquisition of the cable systems from Maclean Hunter Limited and Shaw. Under U.S. GAAP, the Company included the gain on sale of the cable systems in income for 1994 in the amount of \$202,839,000. Deferred income taxes related to this gain amounted to \$70,000,000.

As a result of the sale of cable systems during 1996, this reduction to the carrying value of subscribers has resulted in a gain on sale of cable systems under Canadian GAAP which is higher than the gain on sale under U.S. GAAP by \$51,722,000, before income taxes of \$17,849,000.

Amortization expense under U.S. GAAP has been increased in 1997 by \$3,716,000 (1996 – \$4,963,000) representing the additional amortization of subscribers arising under U.S. GAAP as a result of the adjustment to the value of subscribers upon recognition of the after-tax gain in income in 1994. Deferred income taxes related to this amortization expense in 1997 amounted to \$1,282,000 (1996 – \$1,713,000).

D. LOSS ON EARLY REPAYMENT OF LONG-TERM DEBT

Under U.S. GAAP, the loss on early repayment of long-term debt in 1997 would be reduced by the write-off of deferred foreign exchange loss in the amount of \$37,318,000 (1996 – \$42,102,000). In addition, the loss, net of related income taxes, would be classified as an extraordinary item for U.S. GAAP purposes.

E. CAPITAL STOCK

U.S. GAAP requires that loans receivable from employees relating to share purchases be presented in the consolidated balance sheet as a deduction from capital stock. Canadian GAAP permits these amounts to be shown as assets in certain circumstances.

U.S. GAAP requires the disclosure of the liquidation preference of capital stock. All series of preferred shares of the Company share equally in the distribution of assets upon liquidation, in priority to the Class A Voting and Class B Non-Voting Shares.

F. PREFERRED SHARES

Pursuant to the regulations of the U.S. Securities and Exchange Commission, the Series XX Preferred Shares of the Company, which have a mandatory redemption requirement, may not be classified as part of shareholders' equity.

G. UNREALIZED HOLDING GAIN ON INVESTMENTS

U.S. GAAP requires that certain investments in equity securities that have a readily determinable fair value be recorded in the consolidated balance sheet at their fair value. The unrealized holding gains and losses from these investments, which are considered to be "available-for-sale securities" under U.S. GAAP, are included as a separate component of shareholders' equity, net of related deferred income taxes.

H. STOCK-BASED COMPENSATION

The Company measures compensation expense relating to employee stock option plans for U.S. GAAP purposes using the intrinsic value method as specified by APB Opinion 25, which is not materially different from compensation expense determined under Canadian GAAP.

I. OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION

U.S. GAAP requires that restructuring charges and depreciation and amortization be included in the determination of operating income and does not permit the disclosure of a subtotal of the amount of operating income before restructuring charges and depreciation and amortization. Canadian GAAP permits the disclosure of a subtotal of the amount of operating income before restructuring charges and depreciation and amortization.

J. INCOME TAXES

U.S. GAAP requires that deferred income taxes be accounted for under the liability method, whereas Canadian GAAP requires the use of the deferral method. The difference between these two methods does not have a material effect on the amount of deferred income taxes in the consolidated financial statements.

The Company has incurred losses for income tax purposes in the amount of approximately \$817,600,000 at December 31, 1997 which, if they had been accounted for, would give rise to a deferred income tax asset of approximately \$364,000,000. U.S. GAAP requires that in order to record this deferred income tax asset, the realization of these timing differences must be more likely than not. The Company is not certain whether realization is more likely than not and therefore has recorded a valuation allowance against this deferred income tax asset. Under Canadian GAAP, the Company must be virtually certain of the realization of these timing differences in order to record the deferred income tax asset. This condition of virtual certainty does not exist and therefore the deferred income tax asset has not been recorded.

K. STATEMENTS OF CASH FLOWS

The following disclosure of cash flows provided by operating activities of the Company for 1997 and 1996 has been prepared in accordance with U.S. GAAP in conformity with the Financial Accounting Standards Board ("FASB") pronouncement entitled "Statement of Cash Flows":

(IN THOUSANDS OF DOLLARS)	1997	1996
Loss for the year before discontinued operations and extraordinary items based on U.S. GAAP	\$ (593,400)	\$ (224,996)
Adjustments to reconcile the loss for the year to net cash provided by operating activities:		
Depreciation and amortization	516,207	457,496
Deferred income tax reduction	(78,050)	(62,634)
Accrued interest due on maturity of certain notes	17,062	15,839
Provision for restructuring and asset writedowns	363,268	87,701
Gain on sale of investments and warrants	(7,197)	(37,329)
Foreign exchange loss	121,979	10,789
Share of loss (income) of associated companies, net	(2,059)	1,626
Changes in:		
Accounts receivable	(66,010)	(43,639)
Accounts payable and accrued liabilities and unearned revenue	13,711	12,457
Deferred charges	(27,291)	(52,959)
Other assets	5,007	(28,629)
Net cash provided by operating activities	<u>\$ 263,227</u>	<u>\$ 135,722</u>

Additional differences between Canadian and U.S. GAAP are as follows:

i. Canadian GAAP permits the disclosure of a subtotal of the amount of funds provided by operations before changes in non-cash working capital items in the consolidated statements of changes in financial position. U.S. GAAP does not permit this subtotal to be included.

ii. U.S. GAAP requires that the amount of interest and taxes paid during each fiscal period be disclosed. There is no requirement to disclose this information under Canadian GAAP. The amounts of interest and taxes paid in 1997 amounted to \$444,008,000 and \$23,061,000, respectively (1996 – \$456,386,000 and \$17,729,000, respectively).

iii. Under U.S. GAAP, the non-cash portion of the proceeds received on the sale of the hotel pay television business and satellite uplink service in the amount of \$13,071,000 in 1997 and the sale of cable systems in the amount of \$49,800,000 in 1996 would not be included in the statements of changes in financial position as a source of funds from the disposal of these assets or as a use of funds for the acquisition of the related other investments. The total cash used by investing activities would be unchanged for the years.

iv. Under U.S. GAAP, the non-cash issue of warrants by a subsidiary company in the amount of \$32,500,000 in 1996 would not be included in the statements of changes in financial position as a financing or operating activity, resulting in an increase of \$32,500,000 to the amount of net cash provided by operating activities and a decrease to the amount of net cash provided by financing activities by the same amount.

v. Canadian GAAP permits bank advances to be included in the determination of cash or cash equivalents in the consolidated statements of changes in financial position. U.S. GAAP requires that bank advances be reported as financing cash flows. As a result, under U.S. GAAP, the bank advances in the amount of \$11,299,000 at December 31, 1997, reflected on the consolidated statements of changes in financial position would be reported as a cash flow in 1997 under the heading "Financing" in the statements.

L. SELECTED FINANCIAL DATA — UNITED STATES DOLLARS

The following is a summary of certain 1997 financial data of the Company prepared in accordance with U.S. GAAP and expressed in U.S. dollars. The data has been translated at CDN\$1.00 = US\$0.6997.

Balance Sheet Data

(IN THOUSANDS OF U.S. DOLLARS)

	1997
Fixed assets	\$ 2,309,884
Total assets	4,186,463
Long-term debt	3,906,672
Shareholders' deficiency	(698,503)

Statement of Income Data

(IN THOUSANDS OF U.S. DOLLARS)

	1997
Revenue	\$ 1,885,917
Restructuring charges	254,179
Depreciation and amortization	361,190
Operating loss	(58,515)
Loss for the year before extraordinary items	(415,202)
Loss for the year	(431,672)

Statement of Cash Flows Data

(IN THOUSANDS OF U.S. DOLLARS)

	1997
Net cash provided by operating activities	\$ 184,180

M. RECENT ACCOUNTING PRONOUNCEMENTS

The FASB in the U.S. has issued pronouncements entitled "Earnings per Share", "Disclosure of Information About Capital Structure", "Reporting Comprehensive Income" and "Disclosures About Segments of an Enterprise and Related Information".

The adoption of the pronouncement "Earnings per Share" in 1997 for U.S. GAAP purposes has not resulted in a significant impact on the reported amount of earnings per share under U.S. GAAP for 1997. The adoption of the pronouncements "Disclosure of Information About Capital Structure", "Reporting Comprehensive Income" and "Disclosures About Segments of an Enterprise and Related Information" in 1998 may impact certain of the disclosures related to these areas.

Rogers recognizes that a business is an intrinsic part of the communities in which it operates. For this reason, we are committed to providing worthwhile opportunities to our customers, shareholders and employees, as well as enhancing the quality of life in the communities where we do business.

For our customers, we are committed to earning their respect and loyalty. We work hard to provide reliable, personalized service and to be the frontrunner in delivering innovative products, which provide good value.

For our shareholders, we are committed to enhancing the value of their investment through continuous improvement of a fundamentally sound organization that has the vision, the infrastructure and the people required to excel in the competitive communications industry.

For our employees, we are committed to providing a rewarding work life that ensures equal opportunity, recognizes individual achievement, fosters team spirit and provides competitive compensation. Education, training and career development are all high priorities at Rogers and are anchored by formal programmes and initiatives that ensure Rogers employees have ample opportunity to both improve their skills and progress in the organization.

Since 1989, Rogers Communications Inc. has been designated a “Caring Company” by the Canadian Centre for Philanthropy. We have continued our commitment to earning the goodwill of the communities we serve. Our support ranges from national initiatives to grass roots charities. We participate both as a corporate entity, providing funding and creative applications of our technological resources, and through the individual efforts of our employees.

Rogers is committed to supporting Canadian expression. We are particularly dedicated to assisting the Canadian television and film industry and have sponsored major film and television festivals in Toronto, Vancouver and Banff, donating funding, communication services and personnel. Rogers Telefund, for the past 18 years, has contributed extensively to the production of quality Canadian television programming by providing highly valued interim financing. For the visual arts, the Company’s own Internet project called Artwave @Rogers,TM presents virtual exhibitions of Canadian art for several leading museums and galleries. Rogers also supports the journalism and literary arts communities. For example, through our partnership with the Canadian Conference of the Arts, Rogers continues to recognize and reward innovative production of arts journalism programming in French and English language – each year honouring a deserving individual with the Rogers Communications Inc.’s Media Award for Coverage of the Arts. Most recently we established the Rogers Communications Writers’ Trust Fiction Prize. Each year, a jury from the literary community will select and award a Canadian author a cash prize of \$10,000 for the best work in fiction.

Rogers is committed to the social well-being of Canadians. We are strong supporters of the United Way and have provided both cash and resources to local chapters in virtually every community where we do business. Our commitment is further strengthened by the dedication and personal contribution our employees make year after year to United Way campaigns organized throughout all our companies. We applaud their response to this broad community cause and will continue to support their commitment.

Rogers also extends its caring for communities by developing and providing its own innovative programmes. Each Halloween employees take part in our Pumpkin Patrol initiative, patrolling our streets in Cablesystems trucks to help make a safer night for young ghosts and goblins. As well, throughout Western Canada and Ontario, children in hospitals are visited by Rogers Video Jolly Trolleys that are full of donated videos to help make them laugh. Through Cable in the Classroom, Rogers provides complimentary cable service and specially packaged educational programmes to schools within its licensed areas. Also on the education front, Cablesystems, through its Rogers@school programme, provides high-speed cable modem access to students in 51 Ontario schools as well as to Point Grey Mini School in Vancouver. Wireless offers a 'charity phone loan' program which provides cellular phones to worthwhile community activities. In early 1998, Rogers Cantel, working with Ericsson Communications Inc. and the Ontario government, launched a pilot project to provide up to 300 wireless phones to victims in Ottawa and Barrie who are identified as being at high risk of domestic violence, sexual assault or stalking. The phones, provided with one-button access to 911, are programmed to send out emergency calls only.

During the ice storm of 1998 – our nation's worst natural disaster – Rogers employees worked tirelessly to assist their imperiled communities. Their stories are inspiring. For example, a Cablesystems employee assisted the military as a volunteer firefighter, while other employees coordinated the Cablesystems fleet of trucks to help deliver firewood from area farms to rural distribution centres. Cablesystems crews installed televisions and VCRs in shelters to provide diversion for families seeking refuge from the storm. To ensure generators donated by Cablesystems were hooked-up where they were needed most, a CanGuard employee spent a week rotating these generators from house to house in the Rideau Township. Crews from Rogers Community TV in Ottawa devoted themselves to 24-hour coverage of the storm ensuring residents were provided with critical information such as where to find emergency shelters, food cupboards and generators. Employees from Wireless distributed cell phones and pagers to the army and relief groups, while the Company provided free long-distance in Ottawa and Montreal so that storm victims could contact their relatives. And from Rogers Media, employees at *Macleans*, *L'actualité* and Rogers Broadcasting ran a major media campaign to raise funds for the Red Cross Ice Storm Campaign. No one asked our employees to do any of this work. They just felt they had to it. Rogers sincerely thanks its employees for these heroic efforts in helping their fellow Canadians.

Like our employees, Rogers is intensely aware of the importance of our stakeholders and the communities where we operate. In closing, we wish to extend our gratitude to our customers, to our shareholders – and again to our employees – for the roles they play in Rogers' success.

The Board of Directors of the Company (the “Board”) believes that sound corporate governance practices (“Corporate Governance Practices”) are important to the well-being of the Company and its shareholders and that these practices should be reviewed regularly to ensure that they are appropriate. A description of the Company’s Corporate Governance Practices is set out below. This statement of Corporate Governance Practices was prepared by the Nominating and Corporate Governance Committee of the Board and approved by the Board.

The by-laws of The Toronto Stock Exchange and a policy statement of the Montreal Exchange require that this statement of Corporate Governance Practices relates the Corporate Governance Practices of the Board to the “Guidelines for Improved Corporate Governance” contained in the December 1994 report of The Toronto Stock Exchange Committee on Corporate Governance in Canada (the “TSE Report”). The headings which appear below address the principal matters relating to the Company’s Corporate Governance Practices in the context of the Guidelines in the TSE Report.

In this statement, the term “unrelated director” has the meaning given to it in the TSE Report – a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director’s ability to act with a view to the best interest of the Company, other than interests arising from shareholding. The term “related director” means a director who is not an unrelated director.

For the purposes of the TSE Report, a director is classified as “related” or “unrelated” for all purposes, irrespective of the particular matter before the Board and the nature of the relationship of the director to the Company.

Mandate of the Board

The Board has explicitly assumed responsibility for the stewardship of the Company including the matters specifically referred to in the TSE Report. The Board discharges its responsibilities either directly or through its committees. There were 10 regularly scheduled Board meetings during 1997, together with one additional meeting of the full Board. There were two sessions during meetings of the Board in 1997 without directors and officers who are members of management being present. Six meetings of the Board are currently scheduled for 1998. In addition, during two of these meetings, the Board will meet without members of management being present.

Frequency of Board meetings as well as the nature of agenda items change depending on the state of the Company’s affairs and in light of opportunities or risks which the Company faces.

Composition of the Board

The Board is composed of 16 members, of whom only three are members of the Company’s management. The Board believes 11 directors are unrelated directors and the remainder (including the three directors who are members of management) are related directors, within the definitions in the TSE Report. Accordingly, the Board is constituted with a majority of individuals who qualify as unrelated directors, within the meaning of the TSE Report. In deciding whether a particular director is a related director or an unrelated director, the Board examined the factual circumstances of each director’s relationship to management and the Company and considered them in the context of many factors, including the broad definitions in the TSE Report.

Reflection of Interests of Shareholders in Board Composition

The Company is controlled by Mr. Edward S. Rogers, O.C., who, directly or indirectly, owns approximately 90.87% of the voting shares and approximately 35.77% of the total outstanding number of common shares of the Company and is a “significant shareholder” within the meaning of that term in the TSE Report. Loretta A. Rogers, an unrelated director of the Company, is the wife of Mr. Rogers.

The Board believes that eight of the unrelated directors (or 50% of the total number of directors) do not have any interests in or relationships with either the Company or the significant shareholder or any of its affiliates.

The Board believes that the current composition of the Board is appropriate given the structure of the Company’s share capital and does believe that these eight directors do ensure that the views of shareholders other than the significant shareholder are brought to the Board. The Board also believes that the composition of the full Board which includes 13 directors who are not part of the management of the Company and the other Corporate Governance Practices that the directors have adopted also serve this purpose. Such practices include semi-annual sessions during meetings of the Board without directors and officers who are members of management being present and the establishment of the Nominating and Corporate Governance Committee and the other committees of the Board and their respective mandates.

The Board also believes that it is not in the best interest of the shareholders of the Company to either increase the size of the Board or, alternatively, reduce the number of the directors who are related to the significant shareholder or its affiliates. The Board believes that all of the directors on the Board act objectively with a view to the best interest of the Company and make a valuable contribution to the Board and the Company for the benefit of all the shareholders including shareholders other than the significant shareholder.

Independence from Management

Mr. Edward S. Rogers, O.C., is the President and Chief Executive Officer of the Company and serves as a director. Mr. H. Garfield Emerson, Q.C., is the Chairman of the Board and has the responsibility to ensure that the Board discharges its responsibilities. The Chairman is not a member of the Company’s management. The Chairman oversees the preparation of the agenda for each Board meeting and ensures that an extensive information package is sent to each director in advance of the meeting.

Board Committees

The Board has six committees: the Audit Committee, the Management Compensation Committee, the Pension Committee, the Executive Committee, the Nominating and Corporate Governance Committee, and the Strategic Planning Advisory Committee. From time to time ad hoc committees of the Board are appointed to deal with specific matters. In the past special committees of directors who are unrelated to the Company and to the significant shareholder have been appointed to consider material transactions between the Company and affiliates of the Company.

Audit Committee

The Audit Committee is composed of a majority of unrelated directors and does not include any members of management. The committee is responsible for reviewing the Company's financial reporting procedures, internal controls and information systems and the performance of the Company's external auditors. The committee is also responsible for reviewing quarterly financial statements and the annual financial statements prior to their approval by the full Board. The Audit Committee met five times in 1997. Its members were Messrs. Wansbrough, Besse, Emerson, Korthals, Peterson, Stewart and Wilson (appointed in December 1997). Mr. Wansbrough retired as Chairman in December 1997 and Mr. Korthals is now the Chairman of the Audit Committee.

Management Compensation Committee

The Management Compensation Committee is composed of a majority of unrelated directors. The committee approves, amongst other things, the compensation of senior executives and other employees above specified remuneration levels. The committee also reviews the Company's succession plans. The committee met four times in 1997. Its members were Messrs. Besse, Emerson, Gnat, Hull, Korthals, Phelps and Tory.

Pension Committee

The Pension Committee is composed of a majority of unrelated directors and reviews the provisions of the pension plan and the investment performance of the pension plan. The committee held three meetings in 1997. Its members were Messrs. Gnat, Hull and Wilson. Mr. Robert Smith was a member of the committee representing Rogers Cantel Mobile Communications Inc. Mr. Wilson retired as Chairman and was replaced by Mr. Wansbrough in December 1997.

Executive Committee

The Executive Committee is composed of a majority of related directors and includes only one member of management. The Executive Committee has delegated to it all of the powers that may be delegated to an Executive Committee under the Company's incorporating statute, being the *Company Act of British Columbia*. The committee met one time in 1997. Its members were Messrs. Emerson, Hull, Rogers and Tory.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is composed of an equal number of related and unrelated directors, including only one member of management. It is responsible for making recommendations to the full Board with respect to developments in the area of corporate governance and the practices of the Board. The committee is also responsible for reporting to the Board with respect to appropriate candidates for nomination for election to the Board, for providing an orientation program for new directors and for evaluating the performance of the Board as a whole, its committees and the contribution of each individual director. The committee held four meetings in 1997. Its members were Messrs. Emerson, Gnat, Gray, Hull, Rogers and Tory.

Strategic Planning Advisory Committee

Following a recommendation from the Board, the Strategic Planning Advisory Committee was established in 1996 and is composed of a majority of unrelated directors. The committee reviews with management the strategic planning process of the Company principally in the areas of corporate development, regulatory developments and financing, and reports thereon to the full Board. Its members are Messrs. Edward S. Rogers, Edward Rogers, Emerson, Gray, Korthals, Tory, Wansbrough and Wilson. The Committee met four times in 1997.

Decisions Requiring Board Approval

In addition to those matters which must by law be approved by the Board, management is also required to seek Board approval for any unbudgeted expenditure in excess of \$5 million. Management is also required to obtain Board approval before entering into any major strategic initiative or any venture which is outside the Company's existing businesses.

Board Performance

As noted earlier, the Nominating and Corporate Governance Committee has the mandate to recommend to the Board nominees for election as Board directors and for evaluating the performance of the Board as a whole, its committees and the contributions of each director.

It is the responsibility of the Chairman of the Board, who is not a member of management, to ensure the effective operation of the Board in fulfilling its mandate including its duties and objectives. At least one Board meeting each year is planned to be held at a site other than the Company's head office, with a view to permitting the directors to better understand the Company's businesses.

Investor Feedback

The Company maintains an Investor Relations department which the Board believes is important and highly effective. Every investor inquiry receives a prompt response from the Investor Relations department or an appropriate officer of the Company.

Board's Expectations of Management

The information which management provides to the Board is critical. Directors must have confidence in the data gathering, analysis and reporting functions of management. The Chairman of the Board and the Nominating and Corporate Governance Committee of the Board monitor the nature of the information requested by and provided to the Board by management so that it is able to determine if the Board can be more effective in identifying problems and opportunities for the Company.

As part of the Board's mandate to be responsible for the stewardship of the Company's strategic planning process and the identification of the principal risks to the Company's businesses, the Board recommended that it constitute the Strategic Planning Advisory Committee. This Committee's mandate is to review such matters and related issues with management and to report on a regular basis to the full Board. In addition, periodically the Board meets without the presence of directors and officers who are members of management of the Company. Two such meetings are scheduled during 1998.

The Chief Executive Officer has provided a detailed job description for the office of the Chief Executive which specifically outlines his responsibilities. This job description has been approved by the Management Compensation Committee. The Chief Executive Officer's written objectives for the current year have been reviewed and approved by the Management Compensation Committee.

ANALOG

The traditional method of transmitting sound and images, converted into electrical impulses and transmitted in the form of radio waves, which are “analogous” to sound waves or light waves.

ANALOG RADIO CHANNEL

A radio transceiver (transmitter/receiver) in a cell site, which communicates with a mobile telephone. Each analog radio channel can carry one voice conversation.

ASYMMETRIC DIGITAL SUBSCRIBER LINE (“ADSL”)

A high-speed digital protocol used for access to the home (or office) over twisted copper pair lines typically used for traditional telephone service. ADSL speeds vary depending on the implementation of the protocol and range, from network to home, from 1.5Mb/s to 52Mb/s, and from home to network between 16kb/s and 64kb/s. ADSL has the potential to offer voice, data, and video services.

ASYNCHRONOUS TRANSFER MODE (“ATM”)

A switching technology that allows for the high-speed movement of voice, data, and video information over a common data communication network.

BANDWIDTH

The difference between the high and low frequencies of a transmission band used to measure network capacity. Analog transmission is measured in cycles per second. Digital transmission is measured in bits of information per second.

BASIC CABLE SERVICE

Television services that are required for carriage as per the CRTC priority rules and any other services that are included in the package for the basic monthly fee.

BI-DIRECTIONAL

The ability to send data both upstream and downstream. Cable Internet, video-on-demand, and interactive television are examples of services which are made possible by bi-directional cable systems.

BIT RATE

The number of bits (binary digits) transmitted in a specified length of time. This rate is usually expressed in bits per second (bps).

BROADBAND

Refers to high-bandwidth telecommunications facilities – and to the applications that require them. In general, transmitting video images (particularly with motion) and large volumes of data are broadband applications. Transmitting voice, text and numeric messages and data are considered narrowband applications.

CABLE MODEM

A device which receives and sends digital data at high speed via the cable network to and from a personal computer.

CELL SITE

A radio transmitter location which provides cellular coverage to a specific geographical area. The area can range from 48 kilometres in diameter for a large rural cell site on 800 Mhz cellular frequencies to a few hundred meters for urban minicell sites.

CHURN RATE

The number of subscribers who discontinue a service (mobile telephone, long distance, magazine, etc.) divided by the average number of total subscribers in any given period. A loss of 1,000 subscribers on an average base of 100,000 over the period of a month would equate to a 1% monthly churn rate.

COAXIAL CABLE

Copper or copper-sheathed aluminum wire surrounded by an insulating layer of polyethylene, used in cable television systems. The insulating layer is covered with tubular shielding composed of tiny strands of braided copper wire, or a seamless aluminum sheath, and protective outer skin. The wire and the shielding react with each other to set up an electromagnetic field between them. This system reduces frequency loss and provides cable with its superior signal-carrying capacity.

CODE DIVISION MULTIPLE ACCESS (“CDMA”)

A technique for transmitting multiple conversations on one radio channel through the use of digital codes to identify each conversation. CDMA is usually combined with spread spectrum techniques that distribute the signal over a wide bandwidth channel, typically carrying 40 or more conversations.

CO-LOCATION

Co-location permits competing companies to locate on each other’s facilities.

COMPETITIVE ACCESS PROVIDER (“CAP”)

A provider of local non-switched telecommunications services, operating in competition with the local telephone company. CAP networks typically cover downtown core areas.

COMPETITIVE LOCAL EXCHANGE CARRIER (“CLEC”)

A company which has entered the local services market to compete with the incumbent local telephone company (ILEC).

CONTRIBUTION

“Contribution” is the term used in Canada to refer to the surplus revenue generated by toll and other services that are used to cover the revenue shortfall in local/access services.

CONVERTER

Device that is attached between the television set and the cable system that can increase the number of channels available on the TV set, enabling it to accommodate the multiplicity of channels offered by cable TV.

DIGITAL

A method of recording, storing, and transmitting data (including sounds and images) using binary code (ones and zeros).

DIGITAL RADIO CHANNEL

Similar to analog radio channel but using digital transmission to a digital mobile telephone. In North America TDMA digital, each radio channel can currently carry three simultaneous conversations; in the future, this will increase to six or more conversations.

DIGITAL VIDEO COMPRESSION

("DVC")

A method of changing video signals into digital form and encoding the data to remove redundant and non-essential information. DVC allows the television signal to be transmitted in less bandwidth than with analog signals. DVC permits multiple (typically six-eight) TV programs to be transmitted in the same bandwidth in one analog channel.

DIRECT BROADCAST SATELLITE

("DBS")

A geostationary high power satellite (100-200 watts per channel) designed to broadcast TV programming to small domestic satellite dishes (18 inches in diameter). The introduction of digital video compression allows a DBS operator to carry four to eight programmes per channel rather than a single analog TV programme.

DIRECT-TO-HOME ("DTH")

Similar to DBS except that the service is broadcast from conventional satellites spaced two degrees apart and are, therefore, lower powered satellites. DTH dishes are slightly larger than DBS dishes, but the user does not perceive a difference in service quality. As a result, the terms DBS and DTH are often used interchangeably (see DBS).

DISCRETIONARY SERVICE

A programming service that is not, under Canadian broadcasting rules, included in the basic service and is distributed to subscribers on a discretionary basis for a fee separate from and in addition to the basic cable service monthly fee.

DUAL MODE PHONE

A cellular mobile telephone that can operate on two different technology standards, i.e. analog and digital cellular.

EQUAL ACCESS

Access by a long-distance competitor to the telephone company local network (and switches) so that the competitor's customers can use normal 1+ dialing to make a long-distance call.

FIBRE OPTICS

A transmission system utilizing hair-thin glass fibres through which light is transmitted. Information is transferred by modulating the transmitted light. These modulated signals are detected by light-sensitive semiconductor devices. The signals are regenerated to relay the information and demodulated to retrieve the information.

FORBEARANCE

A situation in which the CRTC, under the Telecommunications Act, refrains from regulating services for which it believes regulation is not necessary.

GLOBAL SYSTEM FOR MOBILE

("GSM")

The technology standard for digital cellular used in Europe and parts of the rest of the world outside of North America.

HEAD-END

A central facility in a cable system that includes receiving antennas and signal processing equipment for distribution of signals over the cable network.

INDUSTRY CANADA

The department of the Canadian government responsible for allocating wireless spectrum, issuing licences and setting the licence conditions.

INTEGRATED SERVICES DIGITAL

NETWORK ("ISDN")

A high-speed digital protocol used for access to the home (or office) over twisted copper pair lines typically used for traditional telephone service. ISDN is slower than ADSL. ISDN basic rate access consists of two 64kb/s channels and one 16kb/s data channel. ISDN has the potential to offer voice and data services. Several ISDN lines can be grouped together to provide video services such as video conferencing.

INTERACTIVE TELEVISION

The ability to communicate with a cable company's head-end via a television and therefore select programs, participate in games, purchase goods and services, and have access to other interactive services.

INTERCONNECTION

The technical and financial terms for connecting telco and new entrant networks.

LOCAL MULTI-POINT

COMMUNICATIONS SYSTEM ("LMCS")

A system for fixed two-way, broadband access operating in the 28 GHz range of the radio spectrum over which operators would deliver a combination of voice, data, video and broadcast video services.

LOCAL NUMBER PORTABILITY

Number portability is required under local telephone competition and refers to allowing the customer to maintain their existing telephone number when they change service providers.

MESSAGE WAITING INDICATOR™

An optional service launched by Wireless in 1994 which alerts Mobile Message customers to messages left on their voice mailboxes while on another call or while their phone was turned off.

MOBILE MESSAGE™

An answering voice-mail service connected to the wireless phone. It answers calls when the subscriber has the phone turned off, is already on a call, or is outside of the coverage area.

MULTI-CHANNEL, MULTI-POINT

DISTRIBUTION SYSTEMS ("MMDS")

MMDS offers television programming by unobstructed line-of-sight microwave transmission to subscribers equipped with a special antenna. Service utilizing a high frequency (2.6 GHz) to transmit multiple television signals (also called wireless cable).

NORTH AMERICAN CELLULAR NETWORK ("NACN")

A network of wireless carriers that provides the subscribers of its member companies with automatic call delivery and feature-following throughout their North American service areas. The network also enables wireless carriers to perform pre-call validation to reduce fraudulent use.

OPTIONAL SERVICES ("SMART SERVICES")

Value-added services for which Wireless charges monthly and/or user fees. Optional services include Directory Assistance Call Completion, Message Waiting Indicator,TM and Voice Command.TM

PAY-PER-VIEW ("PPV")

A discretionary cable service which allows households with addressable descramblers to select and pay for individual movies, sports, and entertainment events.

PAY PROGRAMMING

Movies, sports, and made-for-cable specials that are available to the cable customer for a charge in addition to the basic cable service fee.

PERSONAL COMMUNICATIONS SERVICES ("PCS")

Digital mobile wireless communications services with more features than analog.

PRIVATE LINE SERVICES

A dedicated circuit between two or more points used by customers for private voice networks, data transmission or both.

RATE REBALANCING

Refers to the reduction in the price of profitable services (e.g. toll and business services) and the corresponding increase in the price of unprofitable services (typically residential local service) in order to align price more closely with costs, and reduce the subsidy that flows between the two classes of services.

ROAMING

Roaming occurs when cellular subscribers make or receive calls while outside their wireless company's coverage territory through cooperation with other wireless carriers. Wireless subscribers can roam on the NACN, as well as on network of those carriers with whom administrative agreements exist.

SATELLITE MASTER ANTENNA SYSTEMS ("SMATV")

SMATV systems generally serve large multiple dwelling units and compete with cable system operators for bulk and commercial subscribers. SMATV systems are exempt from CRTC licensing requirements provided that they comply with certain criteria for exemption.

SECONDARY HUBS

A point in the cable network where signal transmission is converted from fibre-optic to coaxial cable. Each secondary hub (in a Rogers system) typically services no more than 10,000 subscribers.

SYSTEM ACCESS FEES

Fees paid by wireless operators to Industry Canada for the use of radio spectrum. These fees are calculated on a per channel basis.

TELECOMMUNICATIONS ACT

The federal legislation pursuant to which Canadian telecommunications common carriers, such as Bell Canada, are regulated.

TIME DIVISION MULTIPLE ACCESS ("TDMA")

A technique by which multiple conversations can be carried on one radio channel by transmitting fragments of these conversations at precisely timed intervals. The current version of TDMA for wireless carries three conversations on one cellular radio channel; future versions will carry more than six conversations on one channel.

TRAP

A device which blocks the reception of cable channel(s) by a non-subscribing cable television viewer. The main purpose of a trap is to facilitate the creation of tiers in cable television service offerings.

TWO-WAY SIGNAL TRANSMISSION

Cable systems traditionally have carried signals in only one direction – "downstream" to subscribers. By installing reverse amplifiers in the amplifier housing, a cable system can also carry signals "upstream" from subscribers. Two-way transmission will facilitate future interactive services.

UNBUNDLING

The separation and discrete offering of the components of the local telephone service. Unbundling of network components facilitates the provision of "pieces" of the local network, such as local switching and transport, by telephone company competitors.

VOCODER OR VOICE CODER

Device inside a digital mobile telephone which converts analog speech wave forms into digital signals and compresses the digital signal to reduce the requisite amount of radio broadband.

VIDEO-ON-DEMAND ("VOD")

A technology that allows subscribers to retrieve on demand, via a television set or a computer, video material stored in a remote database.

VOICE COMMANDTM

An optional service introduced in 1994 by Wireless which enables a customer to place calls by speaking commands such as "dial" or "call", without the requirement to dial a phone number.

DIRECTORS AND OFFICERS

DIRECTORS

RONALD D. BESSE^{2,3}

Chairman, President and
Chief Executive Officer
Canada Publishing Corporation

H. GARFIELD EMERSON, Q.C.^{1,2,3,5,6}

President and Chief Executive Officer
Rothschild Canada Limited

ALBERT GNAT, Q.C.^{3,4,5}

Senior Partner
Lang Michener

GORDON C. GRAY, F.C.A.^{5,6}

Chairman
Rio Algom Limited

THOMAS I. HULL^{1,3,4,5}

Chairman and Chief Executive Officer
The Hull Group Inc.

ROBERT W. KORTHALS^{2,3,6}

Company Director

PHILIP B. LIND

Vice Chairman
Rogers Communications Inc.

THE HON. DAVID R. PETERSON,
P.C., Q.C.²

Senior Partner
Cassels Brock & Blackwell

MICHAEL E. J. PHELPS³

Chairman and Chief Executive Officer
Westcoast Energy Inc.

EDWARD S. ROGERS, O.C.^{1,5,6}

President and Chief Executive Officer
Rogers Communications Inc.

EDWARD S. ROGERS⁶

Vice President and
General Manager, Paging
Rogers Cantel Inc.

LORETTA A. ROGERS

Company Director

IAN H. STEWART, Q.C.²

President
Seacoast Equities Inc.

JOHN A. TORY, Q.C.^{1,3,5,6}

President
Thomson Investments Limited

J. CHRISTOPHER C. WANSBROUGH^{2,4,6}

Chairman
Rogers Telecommunications Limited

W. DAVID WILSON^{2,6}

Chairman and Chief Executive Officer
ScotiaMcLeod Inc.

¹ Member of the Executive Committee

² Member of the Audit Committee

³ Member of the Management
Compensation Committee

⁴ Member of the Pension Committee

⁵ Member of the Nominating and
Corporate Governance Committee

⁶ Member of the Strategic Planning
Advisory Committee

OFFICERS

H. GARFIELD EMERSON, Q.C.

Chairman

PHILIP B. LIND

Vice Chairman

EDWARD S. ROGERS, O.C.

President and Chief Executive Officer

CHARLES E. HOFFMAN

Senior Vice President,
Wireless Telecommunications

RONAN D. McGRATH

President, Rogers Shared Services
and Chief Information Officer

JOHN H. TORY, Q.C.

Senior Vice President, Media

ANTHONY P. VINER

Senior Vice President, Broadcasting

JOS J. WINTERMANS

Senior Vice President,
Home Entertainment

MICHAEL ALLEN

Vice President, Regulatory

ALEXANDER R. BROCK

Vice President, Business
Development – Telecom

M. LORRAINE DALY

Vice President, Treasurer

BRUCE D. DAY, C.A.

Vice President,
Corporate Development

KENNETH G. ENGELHART

Vice President, Regulatory Law

ALAN D. HORN, C.A.

Vice President, Finance and
Chief Financial Officer

W. WAYNE HOWARD, C.A.

Vice President, Senior Controller

JAN L. INNES

Vice President, Communications

ROGER D. KEAY

Vice President, Technology
and Strategic Planning

GRAEME H. MCPHAIL

Vice President,
Associate General Counsel

DAVID P. MILLER

Vice President, General Counsel

DAVID A. ROBINSON

Vice President, Financial Planning
and Investor Relations

DAVID J. WATT

Vice President, Telecom Affairs

DAPHNE EVANS

Secretary

MONICA E. SIMMIE

Assistant Secretary

IAN H. STEWART, Q.C.

Assistant Secretary

CORPORATE OFFICE

Before June 1, 1998

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P.O. Box 1007

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Toronto, ON M5H 3Y2

(416) 864-2373 Fax: (416) 864-2365

After June 1, 1998

Rogers Communications Inc.

333 Bloor Street East

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(416) 935-7777

Institutional investors, security analysts and others who want financial information about any of the Rogers companies should write to David A. Robinson, Vice President, Financial Planning and Investor Relations at the corporate office.

Before June 1, 1998

call (416) 864-2348,

or fax (416) 864-2365.

After June 1, 1998

call (416) 935-7777

On pourra se procurer le texte français de ce rapport annuel en communiquant avec David A. Robinson en téléphonant au (416) 864-2348.

Après 1 juin 1998

(416) 935-7777

For all media inquiries, please contact

Jan Innes, Vice President,

Communications at (416) 864-2346.

After June 1, 1998

call (416) 935-7777

If you have any questions or comments about the Rogers Group of Companies, you can use our electronic mail address: info@rogers.com

ANNUAL GENERAL AND
SPECIAL MEETING

The Annual General and Special Meeting of the shareholders of Rogers Communications Inc. will be held at 2:15 p.m. (Toronto time) Monday, May 25, 1998 at The Grand Ballroom, Lower Level Sheraton Centre, 123 Queen Street West, Toronto, Ontario

PRIMARY BANKERS

The Bank of Nova Scotia,
The Toronto-Dominion Bank,
Canadian Imperial Bank of Commerce
and the Royal Bank of Canada.

AUDITORS

KPMG

VALUATION DAY PRICE

For Canadian income tax purposes, the cost basis on valuation day, December 22, 1971, for the common shares of Rogers, adjusted for all prior share splits, is \$0.50446 per share.

ANNUAL
INFORMATION FORM

A copy of the Rogers AIF is available on request by writing to the corporate office.

SHARE INFORMATION

Common Shares in Canada:

Listed on the Toronto, Montreal, Alberta and Vancouver stock exchanges.

Class A voting shares

RCIA CUSIP # 775109101

Class B non-voting shares

RCLB CUSIP # 775109200

Common Shares in the United States:

Listed on the New York Stock Exchange.

Class B non-voting shares

RG CUSIP # 775109200

Transfer Agent:

Montreal Trust Company of Canada

(416) 981-9633 or 1-800-663-9097 and

The Bank of Nova Scotia Trust

Company of New York (212) 225-5438.

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BOND INFORMATION

Rogers Communications Inc.
Convertible Subordinated Debentures
Due 1999 (CDN\$)
CUSIP # 775109 AA9
Trustee and Transfer Agent:
The Royal Trust Company
1-800-387-0825

Convertible Debentures Due 2005
CUSIP # 775109 AE1
Trustees and Transfer Agents:
The Bank of Nova Scotia Trust
Company of New York
(212) 225-5470
CIBC Mellon Trust Company
1-800-387-0825

Senior Notes Due 2006
CUSIP # 775109 AF8
Trustees and Transfer Agents:
The Chase Manhattan Bank
1-800-648-8380
CIBC Mellon Trust Company
1-800-387-0825

Senior Notes Due 2006 (CDN\$)
CUSIP # 775109 AG6
Trustees and Transfer Agents:
The Chase Manhattan Bank
1-800-648-8380
CIBC Mellon Trust Company
1-800-387-0825

Senior Notes Due 2007
CUSIP # 775109 AH4
Trustees and Transfer Agents:
The Chase Manhattan Bank
1-800-648-8380
CIBC Mellon Trust Company
1-800-387-0825

Senior Notes Due 2007 (CDN\$)
CUSIP # 775109 AJ0
Trustees and Transfer Agents:
The Chase Manhattan Bank
1-800-648-8380
CIBC Mellon Trust Company
1-800-387-0825

Liquid Yield Option Notes Due 2013
CUSIP # 775109 AD3
Trustees and Transfer Agents:
The Bank of Nova Scotia Trust
Company of New York
(212) 225-5470
CIBC Mellon Trust Company
1-800-387-0825

Rogers Cablesystems Limited
Senior Secured Second Priority Notes
Due 2002
CUSIP # 775100 AA8
Trustee and Transfer Agent:
The Chase Manhattan Bank
1-800-648-8380

Senior Secured Second Priority Notes
Due 2005
CUSIP # 775100 AD2
Trustee and Transfer Agent:
The Chase Manhattan Bank
1-800-648-8380

Senior Secured Second Priority
Debentures Due 2007
CUSIP # 775100 AF7
Trustee and Transfer Agent:
The Chase Manhattan Bank
1-800-648-8380

Senior Secured Second Priority
Debentures Due 2012
CUSIP # 775100 AB6
Trustee and Transfer Agent:
The Chase Manhattan Bank
1-800-648-8380

Senior Secured Second Priority
Debentures Due 2014 (CDN\$)
CUSIP # 775100 AC4
Trustee and Transfer Agent:
The Chase Manhattan Bank
1-800-648-8380
Co-Transfer Agent:
CIBC Mellon Trust Company
1-800-387-0825

Senior Subordinated Guaranteed
Debentures Due 2015
CUSIP # 775100 AG5
Trustee and Transfer Agent:
The Chase Manhattan Bank
1-800-648-8380

Senior Subordinated Notes Due 2000
Private Placement # 77509* AA2

Rogers Cantel Inc.
Senior Secured Notes Due 2006
CUSIP # 775101 AA6
Trustees and Transfer Agents:
The Chase Manhattan Bank
1-800-648-8380
CIBC Mellon Trust Company
1-800-387-0825

Senior Secured Notes Due 2007
CUSIP # 775101 AG3
Trustees and Transfer Agents:
The Chase Manhattan Bank
1-800-648-8380
CIBC Mellon Trust Company
1-800-387-0825

Senior Secured Debentures Due 2008
CUSIP # 775101 AB4
Trustees and Transfer Agents:
The Chase Manhattan Bank
1-800-648-8380
CIBC Mellon Trust Company
1-800-387-0825

Senior Secured Debentures Due 2016
CUSIP # 775101 AC2
Trustees and Transfer Agents:
The Chase Manhattan Bank
1-800-648-8380
CIBC Mellon Trust Company
1-800-387-0825

Senior Subordinated Notes Due 2007
CUSIP # 775101 AH1
Trustees and Transfer Agents:
The Chase Manhattan Bank
1-800-648-8380
CIBC Mellon Trust Company
1-800-387-0825

John W. Graham, Q.C.

1912–1998

John W. Graham, Q.C., Chairman Emeritus of Rogers Communications Inc., passed away on January 9, 1998. Stepfather and stalwart supporter of Ted Rogers, he was a soldier, lawyer, businessman, tireless contributor to his community, and a major contributor to the growth of Rogers over three decades. The legacy left by John Graham is enormous and irreplaceable. It was created by means of so many events – each pivotal in steering the Company from its earliest days, beginning in 1960 when he assumed the role of founding Chairman of the Rogers organization. He laid the groundwork for everything the Company was able to realize. He was present at each milestone. He was the very essence of the Company.



It is an understatement to say John was loved by his co-workers at Rogers. This sentiment developed because of the painstaking care he took with each individual. An employee recalls meeting John soon after she arrived at Rogers. John not only remembered her from a previous brief introduction, but took the time to get to know her and soon was speaking with her like an old friend. Repeat this story a hundred times and you know why people at Rogers loved John so much.

Born in Toronto on September 10, 1912, John was the son of George Wilbur and Rosaline Campbell (Webb) Graham. His father was a prominent doctor and surgeon, and Toronto's first chief coroner. He was educated at Upper Canada College, the University of Toronto and Osgoode Hall Law School. He was called to the Bar of Ontario in 1936. He went on to have a long association with the Toronto law firm of Cassels Brock and Blackwell. Between 1939 and 1946 he served with the Royal Canadian Armoured Corps in Canada, Britain and northwest Europe, retiring with the rank of major.

John Graham was dignified. He had integrity. He was a gentleman of the old school who was highly effective in the world of state-of-the-art telecommunications. John was an influential business figure who served on the boards of many companies and institutions. John was also a modest humanitarian who quietly served his community. While advancing in years, he did not grow old in spirit, or out of touch, and he steadfastly embodied so many of the human qualities that we value and respect. He will be missed by all those who knew him, however his positive and considered approach to life and business will continue to shape the Rogers organization.

ROGERS

Communications Inc.